

**CALIFORNIA FOUNDATION
FOR AGRICULTURE IN THE
CLASSROOM**

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

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, and the related statements of activities, functional expenses 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
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, 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

July 1, 2021

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 728,804	\$ 248,203
Receivables	49,441	45,522
Prepaid expenses	<u>19,435</u>	<u>10,999</u>
Total current assets	797,680	304,724
JIM HICKS ENDOWMENT	517,819	517,819
HENRY J. VOSS ENDOWMENT	84,463	84,463
MARKETABLE SECURITIES INVESTMENTS	<u>815,327</u>	<u>1,035,542</u>
TOTAL ASSETS	<u>\$ 2,215,289</u>	<u>\$ 1,942,548</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 81,901	\$ 88,856
Deferred revenue	<u> </u>	<u>13,023</u>
Total current liabilities	<u>81,901</u>	<u>101,879</u>
NET ASSETS:		
Without donor restrictions	1,436,690	1,118,878
With donor restrictions	<u>696,698</u>	<u>721,791</u>
Total net assets	<u>2,133,388</u>	<u>1,840,669</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,215,289</u>	<u>\$ 1,942,548</u>

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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
PUBLIC SUPPORT AND REVENUE:		
Contributions	\$ 676,988	\$ 610,979
Investment income	195,396	258,301
Grant income	86,861	32,060
Special event revenue (net of direct benefits of \$15,035 in 2019)	45,128	87,742
Service agreement income	44,023	129,310
Program fees		29,040
Other income	500	57
Subtotal	1,048,896	1,147,489
Net assets released from restrictions	138,093	131,318
Total unrestricted public support and revenue	1,186,989	1,278,807
EXPENSES:		
Program services:		
Classroom support	385,385	387,880
Conferences	88,139	198,095
County Farm Bureau support	76,755	61,232
Other program services	151,772	198,723
Total program services	702,051	845,930
Support services:		
Promotion and fundraising	131,001	212,048
Management and general	36,125	40,485
Total support services	167,126	252,533
Total expenses	869,177	1,098,463
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	317,812	180,344
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	113,000	135,000
Net assets released from restrictions	(138,093)	(131,318)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(25,093)	3,682
INCREASE IN NET ASSETS	292,719	184,026
NET ASSETS, Beginning of year	1,840,669	1,656,643
NET ASSETS, End of year	\$ 2,133,388	\$ 1,840,669

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, 2020

	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	\$ 174,586	\$ 51,698	\$ 38,334	\$ 43,797	\$ 46,006	\$ 20,950	\$ 375,371
Payroll taxes and employee benefits	53,900	15,961	11,835	13,521	14,204	6,468	115,889
Grant work				68,951			68,951
Management fee	24,700	6,100	5,950	5,300	4,850	3,100	50,000
Occupancy	23,854	5,891	5,746	5,119	4,684	2,994	48,288
Professional services	13,160	1,242	1,212	1,078	24,588	632	41,912
Office expenses	16,745	2,316	3,596	2,012	2,345	1,177	28,191
Fundraising mailings					23,290		23,290
Writing contest	21,733						21,733
Educational materials printing	19,239						19,239
Information technology	12,915						12,915
Grants to individuals	12,250						12,250
Service agreements				11,213			11,213
Fundraising events					10,319		10,319
County Farm Bureau support			8,854				8,854
Travel	3,643	900	878	781	715	458	7,375
Conferences and meetings	260	4,031				346	4,637
Other	<u>8,400</u>		<u>350</u>				<u>8,750</u>
Total	<u><u>\$ 385,385</u></u>	<u><u>\$ 88,139</u></u>	<u><u>\$ 76,755</u></u>	<u><u>\$ 151,772</u></u>	<u><u>\$ 131,001</u></u>	<u><u>\$ 36,125</u></u>	<u><u>\$ 869,177</u></u>

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, 2019

	<u>Program Services</u>			<u>Supporting Services</u>			<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	\$ 154,805	\$ 62,418	\$ 18,690	\$ 50,978	\$ 44,698	\$ 21,243	\$ 352,832
Payroll taxes and employee benefits	45,444	18,325	5,487	14,966	13,123	6,239	103,584
Grant work				28,932			28,932
Management fee	21,750	9,600	2,750	7,300	5,350	3,250	50,000
Occupancy	21,228	9,370	2,684	7,125	5,222	3,172	48,801
Professional services	18,350	1,830	524	1,392	84,381	620	107,097
Office expenses	23,820	4,072	5,320	3,097	2,611	1,379	40,299
Fundraising mailings					21,570		21,570
Writing contest	25,068						25,068
Educational materials printing	38,800						38,800
Information technology	12,245						12,245
Grants to individuals	2,400						2,400
Service agreements				81,996			81,996
Fundraising events					32,941		32,941
County Farm Bureau support			24,321				24,321
Travel	8,750	3,862	1,106	2,937	2,152	1,309	20,116
Conferences and meetings	4,482	88,618				3,273	96,373
Grants to organizations	9,738						9,738
Other	1,000		350				1,350
Total	<u>\$ 387,880</u>	<u>\$ 198,095</u>	<u>\$ 61,232</u>	<u>\$ 198,723</u>	<u>\$ 212,048</u>	<u>\$ 40,485</u>	<u>\$ 1,098,463</u>

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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 292,719	\$ 184,026
Reconciliation to net cash provided by operating activities:		
Gain on marketable securities investments	(152,382)	(184,605)
Changes in:		
Receivables	(3,919)	15,503
Prepaid expenses	(8,436)	(5,730)
Accounts payable and accrued expenses	(6,955)	15,359
Deferred revenue	(13,023)	13,023
Net cash provided by operating activities	<u>108,004</u>	<u>37,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities investments	(1,350,949)	(648,880)
Proceeds from sales of marketable securities investments	<u>1,723,546</u>	<u>683,937</u>
Net cash provided by investing activities	<u>372,597</u>	<u>35,057</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	480,601	72,633
CASH AND CASH EQUIVALENTS, Beginning of year	<u>248,203</u>	<u>175,570</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 728,804</u>	<u>\$ 248,203</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, 2020 AND 2019

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 2016.

Revenue recognition – Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Restricted contributions that are initially classified as conditional whose restrictions and conditions are met in the same reporting period are reported as revenue within net assets without donor restrictions.

The Foundation's grant income is derived from cost-reimbursable government grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Foundation received cost-reimbursable grants of \$11,333 and \$81,531 that have not been recognized at December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred. There were no refundable advances at December 31, 2020 or 2019.

The Foundation's revenue from contracts with customers consist of service agreement income and program fees. These revenues are recognized at the point in time the specific performance obligations are met, as outlined in the agreements. Payment terms are outlined in the agreements and vary based on the objectives and structure of the contracts.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash.

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, 2020 and 2019.

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 statements of activities and statements 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).

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 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 July 1, 2021, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2020 that require 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 728,804	\$ 248,203
Receivables	49,441	45,522
Marketable securities investments	<u>815,327</u>	<u>1,035,542</u>
Total financial assets	1,593,572	1,329,267
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restrictions by donors for purpose (see Note 6)	<u>(94,416)</u>	<u>(119,509)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,499,156</u>	<u>\$ 1,209,758</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 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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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.

3. MARKETABLE SECURITIES AND ENDOWMENT INVESTMENTS

Marketable securities and endowment investments consist of the following:

	<u>2020</u>	<u>2019</u>
Certificates of deposit and money market funds		\$ 100,234
U.S. Government Securities		99,874
Equity Mutual Funds:		
Large Cap	\$ 376,030	341,108
Int'l Large Cap Growth	237,910	236,327
Mid Cap	182,715	174,808
Small Cap	146,707	89,235
Emerging Markets	116,102	93,041
Real Estate	26,164	31,397
Global Equity		104,731
Natural Resources		17,184
Fixed Income Mutual Funds:		
Short Term Bond	167,551	168,304
Intermediate Term Bond	164,430	
Global Income		164,321
Commodities		17,260
	<u>\$ 1,417,609</u>	<u>\$ 1,637,824</u>

Investment income consists of the following:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 43,014	\$ 73,696
Net realized/unrealized gain	<u>152,382</u>	<u>184,605</u>
Total	<u>\$ 195,396</u>	<u>\$ 258,301</u>

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

4. RELATED PARTY TRANSACTIONS

The Foundation is affiliated with California Farm Bureau Federation (CFBF) through common control. During the years ended December 31, 2020 and 2019, the Foundation had the following transactions with CFBF:

	<u>2020</u>	<u>2019</u>
Cash contributions/sponsorships from CFBF	\$ 100,000	\$ 100,000
Payments to CFBF for management service	50,000	50,000
Lease payments to CFBF for office space	48,288	48,801

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 \$34,742 and \$23,316 at December 31, 2020 and 2019, respectively. Such amounts are included in accounts payable and accrued expenses on the statements of financial position.

6. NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Taste and Teach Sponsorship	\$ 66,416	\$ 102,580
Henry J. Voss Endowment – funds available at the discretion of Board of Directors for program costs	53,927	53,927
Writing Contest	15,000	11,929
National Agriculture Week	6,000	
Farm Day	4,500	5,000
Agriculture in the Classroom Conference	2,500	
Total purpose restrictions	<u>148,343</u>	<u>173,436</u>
Perpetual restrictions:		
Jim Hicks Endowment	517,819	517,819
Henry J. Voss Endowment	30,536	30,536
Total perpetual restrictions	<u>548,355</u>	<u>548,355</u>
Total	<u>\$ 696,698</u>	<u>\$ 721,791</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.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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.

7. RETIREMENT PLAN

Effective January 1, 2020, the Foundation provides retirement benefits for its employees through its participation in the California Farm Bureau Member Employer Retirement Plan, a 401(k) profit sharing plan. In 2019, the Foundation provided retirement benefits through its participation in the California Farm Bureau Federation Controlled Group 401(k) Retirement Plan, a defined contribution plan, in which a discretionary profit-sharing contribution as well as a matching contribution was made. The Foundation contributed 4% of the employee's total compensation and matched employee contributions up to 3% of their compensation in both 2020 and 2019.

Total contributions to the retirement plan charged to expense were \$22,197 and \$19,648 for the years ended December 31, 2020 and 2019, respectively.

8. RISKS AND UNCERTAINTIES

As a result of the ongoing COVID-19 pandemic, economic uncertainties have arisen which could have a negative impact on the Foundation through business disruption or decreases in revenue. While the impact is expected to be temporary, the potential financial impact and duration cannot be reasonably estimated at this time.