

**CALIFORNIA FOUNDATION
FOR AGRICULTURE IN THE
CLASSROOM**

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

**YEARS ENDED
DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

October 24, 2022

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 675,564	\$ 728,804
Receivables	121,134	49,441
Prepaid expenses	<u>19,360</u>	<u>19,435</u>
Total current assets	816,058	797,680
JIM HICKS ENDOWMENT	517,819	517,819
HENRY J. VOSS ENDOWMENT	84,463	84,463
MARKETABLE SECURITIES INVESTMENTS	<u>1,019,574</u>	<u>815,327</u>
TOTAL ASSETS	<u>\$ 2,437,914</u>	<u>\$ 2,215,289</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 85,005</u>	<u>\$ 81,901</u>
NET ASSETS:		
Without donor restrictions	1,675,445	1,436,690
With donor restrictions	<u>677,464</u>	<u>696,698</u>
Total net assets	<u>2,352,909</u>	<u>2,133,388</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,437,914</u>	<u>\$ 2,215,289</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
PUBLIC SUPPORT AND REVENUE:		
Contributions	\$ 600,967	\$ 676,988
Investment income	191,881	195,396
Special event revenue	85,970	45,128
Service agreement income	56,280	44,023
Grant income	28,292	86,861
Other income		500
Subtotal	963,390	1,048,896
Net assets released from restrictions	114,234	138,093
Total unrestricted public support and revenue	1,077,624	1,186,989
EXPENSES:		
Program services:		
Classroom support	406,748	385,385
Conferences	92,975	88,139
County Farm Bureau support	31,780	76,755
Other program services	118,021	151,772
Total program services	649,524	702,051
Support services:		
Promotion and fundraising	149,503	131,001
Management and general	39,842	36,125
Total support services	189,345	167,126
Total expenses	838,869	869,177
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	238,755	317,812
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	95,000	113,000
Net assets released from restrictions	(114,234)	(138,093)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(19,234)	(25,093)
INCREASE IN NET ASSETS	219,521	292,719
NET ASSETS, Beginning of year	2,133,388	1,840,669
NET ASSETS, End of year	\$ 2,352,909	\$ 2,133,388

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, 2021

	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	\$ 168,019	\$ 43,786	\$ 13,436	\$ 45,403	\$ 57,112	\$ 22,498	\$ 350,254
Payroll taxes and employee benefits	49,485	12,895	3,957	13,373	16,821	6,626	103,157
Management fee	25,100	5,750	2,050	5,700	7,550	3,850	50,000
Occupancy	24,241	5,553	1,980	5,505	7,291	3,718	48,288
Professional services	37,942	1,141	407	1,131	1,708	764	43,093
Office expenses	20,173	1,995	3,665	1,977	2,834	1,337	31,981
Fundraising events					29,647		29,647
Service agreements				27,484			27,484
Fundraising mailings					25,489		25,489
Conferences and meetings	511	21,055				513	22,079
Writing contest	17,676						17,676
Grant work				16,655			16,655
Educational materials printing	14,264						14,264
Information technology	13,222						13,222
Grants to individuals	11,436						11,436
Travel	3,494	800	285	793	1,051	536	6,959
County Farm Bureau support			6,000				6,000
Other	21,185						21,185
Total	<u>\$ 406,748</u>	<u>\$ 92,975</u>	<u>\$ 31,780</u>	<u>\$ 118,021</u>	<u>\$ 149,503</u>	<u>\$ 39,842</u>	<u>\$ 838,869</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, 2020

	<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	\$ 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
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 events					10,319		10,319
Service agreements				11,213			11,213
Fundraising mailings					23,290		23,290
Conferences and meetings	260	4,031				346	4,637
Writing contest	21,733						21,733
Grant work				68,951			68,951
Educational materials printing	19,239						19,239
Information technology	12,915						12,915
Grants to individuals	12,250						12,250
Travel	3,643	900	878	781	715	458	7,375
County Farm Bureau support			8,854				8,854
Other	8,400		350				8,750
Total	<u>\$ 385,385</u>	<u>\$ 88,139</u>	<u>\$ 76,755</u>	<u>\$ 151,772</u>	<u>\$ 131,001</u>	<u>\$ 36,125</u>	<u>\$ 869,177</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 219,521	\$ 292,719
Reconciliation to net cash provided by operating activities:		
Gain on marketable securities investments	(115,747)	(152,382)
Changes in:		
Receivables	(71,693)	(3,919)
Prepaid expenses	75	(8,436)
Accounts payable and accrued expenses	3,104	(6,955)
Deferred revenue	_____	(13,023)
Net cash provided by operating activities	<u>35,260</u>	<u>108,004</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities investments	(837,247)	(1,350,949)
Proceeds from sales of marketable securities investments	<u>748,747</u>	<u>1,723,546</u>
Net cash provided (used) by investing activities	<u>(88,500)</u>	<u>372,597</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (53,240)	 480,601
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>728,804</u>	 <u>248,203</u>
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 675,564</u>	 <u>\$ 728,804</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, 2021 AND 2020

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 2017.

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 did not have any cost-reimbursable grants that had not been recognized at December 31, 2021. The Foundation received cost-reimbursable grants of \$11,333 that have not been recognized at December 31, 2020, because qualifying expenditures have not yet been incurred. There were no refundable advances at December 31, 2021 or 2020.

The Foundation's revenue from contracts with customers consist of service agreement income. 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, 2021 AND 2020

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, 2021 and 2020.

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, 2021 AND 2020

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, 2021 and 2020 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 October 24, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2021 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 675,564	\$ 728,804
Receivables	121,134	49,441
Marketable securities investments	<u>1,019,574</u>	<u>815,327</u>
Total financial assets	1,816,272	1,593,572
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restrictions by donors for purpose (see Note 5)	<u>(75,182)</u>	<u>(94,416)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,741,090</u>	<u>\$ 1,499,156</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 substantially all of its 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. 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

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

note. The Foundation maintains cash and short-term investments on hand, net of permanent donor-restricted endowments not available for general expenditures, to meet approximately two years of normal operating expenses of approximately \$900,000.

3. MARKETABLE SECURITIES AND ENDOWMENT INVESTMENTS

Marketable securities and endowment investments consist of the following:

	<u>2021</u>	<u>2020</u>
U.S. Government Securities	\$ 299,331	
Equity Mutual Funds:		
Large Cap	374,957	\$ 301,890
Mid Cap	218,384	182,715
Global Developed	313,852	367,312
Small Cap	91,204	91,445
Emerging Markets	120,382	116,102
Real Estate	38,444	26,164
Fixed Income Mutual Funds:		
Short Term Bond	165,302	167,551
Intermediate Term Bond		164,430
	<u>\$ 1,621,856</u>	<u>\$ 1,417,609</u>

Investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 76,134	\$ 43,014
Net realized/unrealized gain	<u>115,747</u>	<u>152,382</u>
Total	<u>\$ 191,881</u>	<u>\$ 195,396</u>

4. RELATED PARTY TRANSACTIONS

The Foundation is affiliated with California Farm Bureau Federation (CFBF) through common control. During the years ended December 31, 2021 and 2020, the Foundation had the following transactions with CFBF:

	<u>2021</u>	<u>2020</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	48,288

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, 2021 AND 2020

5. NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Purpose restrictions:		
Taste and Teach Sponsorship	\$ 63,990	\$ 66,416
Henry J. Voss Endowment – funds available at the discretion of Board of Directors for program costs	53,927	53,927
Writing Contest	11,192	15,000
National Agriculture Week		6,000
Farm Day		4,500
Agriculture in the Classroom Conference		2,500
Total purpose restrictions	<u>129,109</u>	<u>148,343</u>
Perpetual restrictions:		
Jim Hicks Endowment	517,819	517,819
Henry J. Voss Endowment	<u>30,536</u>	<u>30,536</u>
Total perpetual restrictions	<u>548,355</u>	<u>548,355</u>
Total	<u>\$ 677,464</u>	<u>\$ 696,698</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.

6. RETIREMENT PLAN

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. The Foundation contributed 4% of the employee's total compensation and matched employee contributions up to 3% of their compensation in both 2021 and 2020.

Total contributions to the retirement plan charged to expense were \$19,574 and \$22,197 for the years ended December 31, 2021 and 2020, respectively.

CALIFORNIA FOUNDATION FOR AGRICULTURE IN THE CLASSROOM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

7. 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.