

***CALIFORNIA WHEAT COMMISSION***

Financial Statements  
Supplementary Information  
&  
Independent Auditor's Report

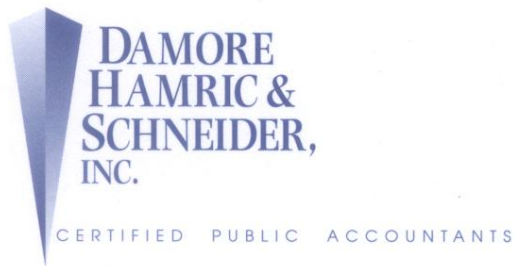
For the Fiscal Years Ended April 30, 2008 & 2007

California Wheat Commission

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of California Wheat Commission

We have audited the accompanying financial statements of the governmental activities and business-type activities of the California Wheat Commission as of and for the fiscal years ended April 30, 2008 and 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the California Wheat Commission as of April 30, 2008 and 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. California Wheat Commission has elected to omit the MD&A.

  
DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

September 4, 2008

2856 Arden Way, Suite 200  
Sacramento, CA 95825-1379  
Tel (916) 481-2856  
Fax (916) 488-4428  
<http://www.dhscpa.com>

California Wheat Commission

STATEMENTS OF NET ASSETS

April 30, 2008 and 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total 2008</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total 2007</u>
<u>Current Assets:</u>						
Cash and Cash Equivalents	\$ 3,188	\$ 339,893	\$ 343,081	\$ 7,039	\$ 187,390	\$ 194,429
Receivables:						
Assessments	\$	\$ 58,231	\$ 58,231	\$	\$ 3,872	\$ 3,872
Interfund Receivable, Current Portion		1,223	1,223		1,000	1,000
Other		1,744	1,744	1,000	14,808	15,808
	<u>\$</u>	<u>\$ 61,198</u>	<u>\$ 61,198</u>	<u>\$ 1,000</u>	<u>\$ 19,680</u>	<u>\$ 20,680</u>
Prepaid Contracts	\$	\$ 3,708	\$ 3,708	\$	\$ 3,333	\$ 3,333
Prepaid Expenses		5,836	5,836		12,841	12,841
	<u>\$</u>	<u>\$ 9,544</u>	<u>\$ 9,544</u>	<u>\$</u>	<u>\$ 16,174</u>	<u>\$ 16,174</u>
<u>Restricted Assets:</u>						
Temporarily Restricted:						
Cash and Cash Equivalents	\$	\$ 1,000	\$ 1,000	\$ 16,000	\$ 11,000	\$ 27,000
Accounts Receivable		5,000	5,000			
	<u>\$</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 16,000</u>	<u>\$ 11,000</u>	<u>\$ 27,000</u>
Total Current Assets	<u>\$ 3,188</u>	<u>\$ 416,635</u>	<u>\$ 419,823</u>	<u>\$ 24,039</u>	<u>\$ 234,244</u>	<u>\$ 258,283</u>
Property and Equipment, Net of Accumulated Depreciation	\$	\$ 273,942	\$ 273,942	\$	\$ 239,032	\$ 239,032
Interfund Receivable, Net of Current Portion		6,300	6,300		7,523	7,523
Total Non-Current Assets	<u>\$</u>	<u>\$ 280,242</u>	<u>\$ 280,242</u>	<u>\$</u>	<u>\$ 246,555</u>	<u>\$ 246,555</u>
	<u>\$ 3,188</u>	<u>\$ 696,877</u>	<u>\$ 700,065</u>	<u>\$ 24,039</u>	<u>\$ 480,799</u>	<u>\$ 504,838</u>

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

California Wheat Commission

STATEMENTS OF NET ASSETS

April 30, 2008 and 2007

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2008</b>	Governmental Activities	Business-Type Activities	Total 2007
<b>Current Liabilities:</b>						
Accounts Payable	\$	\$ 10,018	\$ 10,018	\$ 6,073	\$ 4,575	\$ 10,648
Contributions Payable, Current Portion		1,887	1,887			
Pension Payable		26,234	26,234		22,573	22,573
Accrued Vacation		19,363	19,363		20,890	20,890
Mortgage Payable, Current Portion		6,260	6,260		5,665	5,665
Interfund Payable, Current Portion	1,223		1,223	1,000		1,000
Total Current Liabilities	\$ 1,223	\$ 63,762	\$ 64,985	\$ 7,073	\$ 53,703	\$ 60,776
Mortgage Payable, Net of Current Portion	\$	\$ 110,350	\$ 110,350	\$	\$ 116,336	\$ 116,336
Contributions Payable, Net of Current Portion		5,329	5,329			
Interfund Payable, Net of Current Portion	6,300		6,300	7,523		7,523
Total Non-Current Liabilities	\$ 6,300	\$ 115,679	\$ 121,979	\$ 7,523	\$ 116,336	\$ 123,859
Total Liabilities	\$ 7,523	\$ 179,441	\$ 186,964	\$ 14,596	\$ 170,039	\$ 184,635
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	\$	\$ 157,332	\$ 157,332	\$	\$ 117,031	\$ 117,031
Restricted		6,000	6,000	16,000	11,000	27,000
Unrestricted	(4,335)	354,104	349,769	(6,557)	182,729	176,172
Total Net Assets	(\$ 4,335)	\$ 517,436	\$ 513,101	\$ 9,443	\$ 310,760	\$ 320,203
Total Liabilities and Net Assets	\$ 3,188	\$ 696,877	\$ 700,065	\$ 24,039	\$ 480,799	\$ 504,838

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

California Wheat Commission

STATEMENTS OF ACTIVITIES

For the Year Ended April 30, 2008 and 2007

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes In Net Assets			Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
	Expenses	Charges for Services	Contributions	Governmental Activities	Business-Type Activities	Total 2008	Expenses	Charges for Services	Contributions	Governmental Activities	Business-Type Activities	Total 2007
Primary Government:												
Governmental Activities:												
Special Revenue	\$ 23,799	\$	\$ 10,000	(\$ 13,799)	\$	(\$ 13,799)	\$ 134,113	\$	\$ 87,689	(\$ 46,424)	\$	(\$ 46,424)
Business-Type Activities:												
Wheat Commission	<u>666,836</u>	<u>846,940</u>			<u>180,104</u>	<u>180,104</u>	<u>639,592</u>	<u>454,704</u>		( <u>184,888</u> )	( <u>184,888</u> )	
Total Primary Government	<u>\$ 690,635</u>	<u>\$ 846,940</u>	<u>\$ 10,000</u>	<u>(\$ 13,799)</u>	<u>\$ 180,104</u>	<u>\$ 166,305</u>	<u>\$ 773,705</u>	<u>\$ 454,704</u>	<u>\$ 87,689</u>	<u>(\$ 46,424)</u>	<u>(\$ 184,888)</u>	<u>(\$ 231,312)</u>
<b>General Revenues:</b>							<b>General Revenues:</b>					
Grants				\$ 21	\$ 26,572	\$ 26,593	Grants			\$ 62,798	\$	\$ 62,798
Interest & Other							Interest & Other			25	26,038	26,063
Total General Revenue				<u>\$ 21</u>	<u>\$ 26,572</u>	<u>\$ 26,593</u>	Total General Revenue			<u>\$ 62,823</u>	<u>\$ 26,038</u>	<u>\$ 88,861</u>
Change in Net Assets				(\$ 13,778)	\$ 206,676	\$ 192,898	Change in Net Assets			\$ 16,399	(\$ 158,850)	(\$ 142,451)
Net Assets - Beginning				<u>9,443</u>	<u>310,760</u>	<u>320,203</u>	Net Assets - Beginning			( <u>6,956</u> )	<u>469,610</u>	<u>462,654</u>
Net Assets - Ending				<u>(\$ 4,335)</u>	<u>\$ 517,436</u>	<u>\$ 513,101</u>	Net Assets - Ending			<u>\$ 9,443</u>	<u>\$ 310,760</u>	<u>\$ 320,203</u>

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

California Wheat Commission

BALANCE SHEETS  
GOVERNMENTAL FUNDS

April 30, 2008 and 2007

ASSETS

	<b>Special Revenue 2008</b>	Special Revenue 2007
<u>Current Assets:</u>	<u>                    </u>	<u>                    </u>
Cash and Cash Equivalents	\$ 3,188	\$ 7,039
Receivables		1,000
Restricted Assets:		
Temporarily Restricted:		
Cash and Cash Equivalents		<u>16,000</u>
Total Current Assets	<u>\$ 3,188</u>	<u>\$ 24,039</u>
Total Assets	<u>\$ 3,188</u>	<u>\$ 24,039</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>		
Accounts Payable	\$	\$ 6,073
Interfund Payable, Current Portion	<u>1,223</u>	<u>1,000</u>
Total Current Liabilities	\$ 1,223	\$ 7,073
Interfund Payable, Net of Current Portion	<u>6,300</u>	<u>7,523</u>
Total Liabilities	<u>\$ 7,523</u>	<u>\$ 14,596</u>
<u>Fund Balances:</u>		
Reserved for Equipment Purchase	\$	\$ 16,000
Unreserved	<u>(4,335)</u>	<u>(6,557)</u>
Total Net Assets	<u>(\$ 4,335)</u>	<u>\$ 9,443</u>
Total Liabilities and Net Assets	<u>\$ 3,188</u>	<u>\$ 24,039</u>

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

California Wheat Commission

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Years Ended April 30, 2008 and 2007

	<b>Special Revenue 2008</b>	Special Revenue 2007
<u>Revenues:</u>		
CA Collaborator Program	\$ 4,750	\$ 7,000
UC Davis Harvester Program	5,000	16,000
USDA Soybean Grant		62,798
In-Kind Donated Services		64,689
Other Income	<u>250</u>	
Total Revenue	<u>\$ 10,000</u>	<u>\$ 150,487</u>
<u>Expenses:</u>		
General and Administrative	\$ 5,299	\$ 6,626
USDA Soybean Grant		62,798
In-Kind Donated Services		64,689
UC Davis Harvester Program	<u>18,500</u>	
Total Expenses	<u>\$ 23,799</u>	<u>\$ 134,113</u>
Net Income	<u>(\$ 13,799)</u>	<u>\$ 16,374</u>
<u>Other Income:</u>		
Interest Income	<u>\$ 21</u>	<u>\$ 25</u>
Total Other Income	<u>\$ 21</u>	<u>\$ 25</u>
Change In Fund Balance	(\$ 13,778)	\$ 16,399
Fund Balance, Beginning of Year	<u>9,443</u>	<u>( 6,956)</u>
Fund Balance, End of Year	<u>(\$ 4,335)</u>	<u>\$ 9,443</u>

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



California Wheat Commission

STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS

April 30, 2008 and 2007

	<b>Wheat Commission 2008</b>	Wheat Commission 2007
<u>Current Assets:</u>		
Cash and Cash Equivalents	<u>\$ 339,893</u>	<u>\$ 187,390</u>
Receivables:		
Assessments	\$ 58,231	\$ 3,872
Interfund Receivable, Current Portion	1,223	1,000
Other	<u>1,744</u>	<u>14,808</u>
	<u>\$ 61,198</u>	<u>\$ 19,680</u>
Prepaid Contracts	\$ 3,708	\$ 3,333
Prepaid Expenses	<u>5,836</u>	<u>12,841</u>
	<u>\$ 9,544</u>	<u>\$ 16,174</u>
Restricted Assets:		
Temporarily Restricted:		
Cash and Cash Equivalents	\$ 1,000	\$ 11,000
Accounts Receivable	<u>5,000</u>	<u>          </u>
	<u>\$ 6,000</u>	<u>\$ 11,000</u>
Total Current Assets	<u>\$ 416,635</u>	<u>\$ 234,244</u>
Property and Equipment, Net of Accumulated Depreciation	\$ 273,942	\$ 239,032
Interfund Receivable, Net of Current Portion	<u>6,300</u>	<u>7,523</u>
Total Non-Current Assets	<u>\$ 280,242</u>	<u>\$ 246,555</u>
	<u>\$ 696,877</u>	<u>\$ 480,799</u>

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

California Wheat Commission

STATEMENTS OF NET ASSETS  
PROPRIETARY FUNDS

April 30, 2008 and 2007

	<b>Wheat Commission 2008</b>	Wheat Commission 2007
<u>Current Liabilities:</u>		
Accounts Payable	\$ 10,018	\$ 4,575
Contributions Payable, Current Portion	1,887	
Pension Payable	26,234	22,573
Accrued Vacation	19,363	20,890
Mortgage Payable, Current Portion	<u>6,260</u>	<u>5,665</u>
Total Current Liabilities	<u>\$ 63,762</u>	<u>\$ 53,703</u>
Mortgage Payable, Net of Current Portion	\$ 110,350	\$ 116,336
Contributions Payable, Net of Current Portion	<u>5,329</u>	
Total Non-Current Liabilities	<u>\$ 115,679</u>	<u>\$ 116,336</u>
Total Liabilities	<u>\$ 179,441</u>	<u>\$ 170,039</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	\$ 157,332	\$ 117,031
Restricted for Website Redesign (expendable)	1,000	11,000
Restricted for Research (expendable)	5,000	
Unrestricted	<u>354,104</u>	<u>182,729</u>
Total Net Assets	<u>\$ 517,436</u>	<u>\$ 310,760</u>
Total Liabilities and Net Assets	<u>\$ 696,877</u>	<u>\$ 480,799</u>

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

California Wheat Commission

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

For the Years Ended April 30, 2008 and 2007

	<b>Wheat Commission 2008</b>	<b>Wheat Commission 2007</b>
Assessments Revenue, Net of Refunds of <b>\$29,211</b> in 2008 and \$25,354 in 2007	<b>\$ 783,614</b>	\$ 400,069
<u>Laboratory Revenue:</u>		
Crop Quality	\$ 8,889	\$ 8,021
Laboratory Analysis	<b>54,437</b>	46,614
	<b>\$ 63,326</b>	\$ 54,635
<u>Other Income:</u>		
Miscellaneous	\$ 9,476	\$ 14,127
Total Operating Revenue	<b>\$ 856,416</b>	\$ 468,831
<u>Expenses:</u>		
General and Administrative	\$ 353,224	\$ 325,886
Research Projects	82,036	99,055
Market Development	33,176	33,678
Laboratory	<b>184,029</b>	169,386
Total Operating Expenses	<b>\$ 652,465</b>	\$ 628,005
Operating Gain/(Loss)	<b>\$ 203,951</b>	(\$ 159,174)
<u>Other Income (Expense):</u>		
Interest Income	\$ 17,096	\$ 11,911
Interest Expense	( 14,371)	( 11,587)
Total Other Expense	<b>\$ 2,725</b>	\$ 324
Change In Net Assets	<b>\$ 206,676</b>	(\$ 158,850)
Net Assets, Beginning of Year	<b>310,760</b>	469,610
Net Assets, End of Year	<b>\$ 517,436</b>	\$ 310,760

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

California Wheat Commission

STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS

For the Years Ended April 30, 2008 and 2007

	<b>Wheat Commission 2008</b>	Wheat Commission 2007
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 811,120	\$ 464,731
Payments to Employees	( 355,945)	( 341,049)
Payments to Suppliers	( 252,501)	( 272,644)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 202,674</u>	<u>(\$ 148,962)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Payments on Mortgage Payable	(\$ 5,391)	(\$ 4,852)
Proceeds from Equipment Loan	54,000	
Payments on Equipment Loan	( 54,000)	
Interest on Mortgage Payable	( 10,966)	( 11,587)
Interest on Equipment Loan	( 3,405)	
Acquisition of Capital Assets	( 57,505)	
Net Cash Used by Capital and Related Financing Activities	<u>(\$ 77,267)</u>	<u>(\$ 16,439)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	<u>\$ 17,096</u>	<u>\$ 11,911</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 142,503	(\$ 153,490)
Cash and Cash Equivalents, Beginning of Year	<u>198,390</u>	<u>351,880</u>
Cash and Cash Equivalents, End of Year	<u>\$ 340,893</u>	<u>\$ 198,390</u>
Cash as Presented on the Statement of Net Assets		
Cash and Cash Equivalents	\$ 339,893	\$ 187,390
Restricted Cash and Cash Equivalents	<u>1,000</u>	<u>11,000</u>
Total Cash and Cash Equivalents	<u>\$ 340,893</u>	<u>\$ 198,390</u>

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

California Wheat Commission

STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS

For the Years Ended April 30, 2008 and 2007

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided/(Used) by Operating Activities:</u>	<u>Wheat Commission 2008</u>	<u>Wheat Commission 2007</u>
Operating Income/(Loss)	\$ 203,951	(\$ 159,174)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	22,595	21,912
(Increase) Decrease in:		
Receivables	( 45,295)	( 4,100)
Prepaid Expenses	6,630	( 2,046)
Increase (Decrease) in:		
Accounts Payable	5,443	( 3,680)
Contributions Payable	7,216	
Profit Sharing Contribution Payable	3,661	( 2,147)
Compensated Absences	( 1,527)	273
Net Cash Used by Operating Activities	<u>\$ 202,674</u>	<u>(\$ 148,962)</u>

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

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of California Wheat Commission (Commission) conform to U.S. generally accepted accounting principles as applied to government units. The following is a summary of significant accounting policies.

A. Organization and Description of the Commission - The California Wheat Commission is a nonprofit, nontaxable instrumentality of the State of California operating within the authority of Chapter 10, Division 22 of the Food and Agriculture Code. It was formed in 1982 for the purpose of managing a research and market development program for the California wheat industry. The Commission also conducts research into the development of wheat varieties more suitable to the domestic and export trade, as well as varieties more productive under California growing conditions.

B. Blended Component Unit - The California Grain Foundation (Foundation) is presented as a blended component unit of the Commission in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. While the Foundation is a legally separate entity, a majority of the members of the Board of the Foundation are also members of the Board of the Commission thereby allowing the Commission to exert complete control over the Foundation's activities. The Commission also provides all management and administrative services for the Foundation. The financial statements of the Foundation may be obtained by writing the Foundation at 1240A Commerce Ave., Woodland, CA, 95776.

The Foundation is a nonprofit public benefit corporation formed in 2003 and organized under the Nonprofit Public Benefit Corporation Law for the purpose of conducting public education programs and supporting research relative to the California grain industry.

C. Financial Statements Presentation - The Commission applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict FASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounting Procedure. In addition, the Commission applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements, to its business-type activities.

Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local governmental entities requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. The Commission had debt of \$116,610 and \$122,001 as of April 30, 2008 and 2007, respectively.
- *Restricted* - This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Commission had restricted assets of \$1,000 and \$27,000 as of April 30, 2008 and 2007, respectively. See Note 7 for a description of the restrictions.
- *Unrestricted net assets* - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- D. Basis of Accounting/Measurement Focus - The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements - The Commission's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Commission's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Commission are reported in two categories: 1) charges for services, and 2) operating contributions.

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. The Commission has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become



California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The Commission has no revenue sources at this time that are susceptible to accrual. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

- E. Cash and Cash Equivalents - For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of six months or less to be cash equivalents.
- F. Short-term Investments - The Commission can invest in certificates of deposit and treasury bills. These instruments are classified as short-term investments if they have maturity dates at the time of purchase of over six months and up to one year. The Commission held no short-term investments as of April 30, 2008 or 2007.
- G. Assessments Receivable - The Commission's receivables consist of assessments to wheat growers located throughout California. The Commission considers assessments receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.
- H. Assessments Revenue - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The assessment rates were four cents and five cents per hundred weight of wheat handled in the fiscal years ended April 30, 2007 and April 30, 2008, respectively.
- I. Property and Equipment - Property and equipment are stated at cost. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis. Leasehold improvements are amortized over the lives of the respective leases, including renewal options, or the service lives of the improvements, whichever is shorter. The estimated lives used in determining depreciation and amortization are:

Leasehold improvements	23 years
Machinery and other equipment	3-10 years
Condominium Suite	40 years

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- J. Use of Estimates - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- K. Post Retirement Benefits - The Commission provides no post retirement benefits other than pensions (see Note 9) for its employees.
- L. Compensated Absences - The Commission accrues a liability for unpaid vacation in accordance with GASB 16. Vacation pay is accumulated at various rates depending on length of service.
- M. Use of Restricted/Unrestricted Net Assets - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Board's policy is to apply restricted net assets first.
- N. Operating/Non-Operating Revenue and Expenses - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are assessments to wheat growers. Operating expenses of the Commission include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- O. Comparative Data and Reclassifications - Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 2 CASH AND CASH EQUIVALENTS:

The Commission maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 for interest-bearing and \$100,000 for noninterest-bearing accounts. At April 30, 2008, all bank balances were insured. In addition to bank accounts, the Commission has funds in a money market account with an investment broker. The balance as of April 30, 2008 and 2007 was \$317,201 and \$86,410. These funds are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000. These funds are not insured under FDIC.

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a depositor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As a means of limiting its exposure to custodial credit risk, the Commission maintains its cash balances within insurance limits.

*Interest Risk* - As a means of limiting its exposure to interest rate risk, the Commission diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The Commission also varies investment maturity dates to ensure the Commission is able to change investment vehicles in response to changes in interest rates.

NOTE 3 INTERFUND RECEIVABLE/PAYABLE:

Between April 2002 and October 2003, funds totaling \$9,523 were advanced by the Commission to establish the Foundation. The balances of \$7,523 and \$8,523 as of April 30, 2008 and 2007, respectively, represent the amounts that remain as outstanding debt. Of these amounts, \$6,300 and 7,523 were not expected to be paid within one year as of April 30, 2008 and 2007, respectively.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 4 PROPERTY AND EQUIPMENT:

Property and equipment at April 30, 2008 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Business-type Activities</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Laboratory Equipment	399,248	57,505	40,197	416,556
Office Equipment	41,510			41,510
Condominium Suite	200,000			200,000
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 805,166</b>	<b>\$ 57,505</b>	<b>\$ 40,197</b>	<b>\$ 822,474</b>
<b>Less Accumulated Depreciation</b>	<b>( 566,134)</b>	<b>( 22,595)</b>	<b>( 40,197)</b>	<b>( 548,532)</b>
<b>Net Capital Assets</b>	<b>\$ 239,032</b>	<b>\$ 34,910</b>	<b>\$ 0</b>	<b>\$ 273,942</b>

Depreciation expense for the year ended April 30, 2008 was \$22,595.

Property and equipment at April 30, 2007 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Business-type Activities</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Laboratory Equipment	399,248			399,248
Office Equipment	53,146		11,636	41,510
Condominium Suite	200,000			200,000
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 816,802</b>	<b>\$</b>	<b>\$ 11,636</b>	<b>\$ 805,166</b>
<b>Less Accumulated Depreciation</b>	<b>( 555,858)</b>	<b>( 21,912)</b>	<b>( 11,636)</b>	<b>( 566,134)</b>
<b>Net Capital Assets</b>	<b>\$ 260,944</b>	<b>(\$ 21,912)</b>	<b>\$ 0</b>	<b>\$ 239,032</b>

Depreciation expense for the year ended April 30, 2007 was \$21,912.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 5 CONTRIBUTIONS PAYABLE - BUSINESS-TYPE ACTIVITIES:

The Commission entered into an agreement to contribute \$10,800 to UC Davis towards the purchase of a harvester spread evenly over a five-year period beginning in the fiscal year ended April 30, 2008. The agreement was subsequently modified by mutual consent between the Commission and UC Davis to a total of \$8,883 due to changes in the total cost of the harvester. The total amount contributed during the fiscal year ended April 30, 2008 was \$110 less than one-fifth of the total amount due.

Balance April 30, 2008	\$ 7,216
Less: Portion due within one year	( 1,887)
Long-Term Portion	<u>\$ 5,329</u>

Total payments required by the agreement by fiscal year are as follows:

<u>Year Ending April 30,</u>	
2009	\$ 1,887
2010	1,777
2011	1,776
2012	<u>1,776</u>
Total payments required	<u>\$ 7,216</u>

The schedule of changes in the contribution payable balance for the year ended April 30, 2008 is as follows:

Balance			Balance
<u>May 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30, 2008</u>
<u>\$</u>	<u>\$ 8,883</u>	<u>(\$ 1,667)</u>	<u>\$ 7,216</u>

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 6 MORTGAGE PAYABLE - BUSINESS-TYPE ACTIVITIES:

Mortgage note payable to the bank at 9.02% per annum; payable in monthly installments of \$1,370 through October 5, 2009. A final installment of \$106,480 is due November 5, 2009. The Condominium suite is pledged as collateral for the note. Interest expense of \$14,371 on long-term debt has been included in the direct expenses of the business-type activities on the government-wide statement of activities.

Balance April 30, 2008	\$ 116,610
Less: Portion due within one year	( 6,260)
Long-Term Portion	<u>\$ 110,350</u>

Payments required under the note by fiscal year end are as follows:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 6,260	\$ 10,260
2010	<u>110,350</u>	<u>5,720</u>
Total minimum payments required	<u>\$ 116,610</u>	<u>\$ 15,980</u>

The schedule of changes in the note payable balance for the year ended April 30, 2008 is as follows:

<u>Balance</u>			<u>Balance</u>
May 1, 2007	<u>Additions</u>	<u>Reductions</u>	April 30, 2008
<u>\$ 122,001</u>	<u>\$</u>	<u>(\$ 5,391)</u>	<u>\$ 116,610</u>

NOTE 7 RESTRICTED NET ASSETS:

Business-type activities - \$1,000 has been received from donors for the specific purpose of redesigning the Commission's website and \$5,000 has been received for the specific purpose of research. Accordingly, the funds are restricted for use for these purpose until the work is performed.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 8 LEASES:

The Commission is committed under a noncancelable operating lease for office equipment. Future minimum operating lease commitments are as follows:

<u>Year Ending April 30,</u>	
2009	\$ 1,026
2010	1,026
2011	<u>902</u>
	<u>\$ 2,954</u>

Total lease expense for the year ended April 30, 2008 was \$1,027.

NOTE 9 PENSION PLAN:

The Commission sponsors a defined contribution profit sharing 401(k) plan, administered by Associated Pension Consultants. Employees who are at least 20 years of age and have completed 1,000 hours of service are eligible to participate in the Plan. Participants vest in the Plan as follows:

<u>Years of Service</u>	<u>Percent Vested</u>
1	33.33%
2	66.67%
3	100.00%

The Plan provides that the Commission make annual contributions at 10% of total annual compensation paid to all participants. Total pension expense for the year ended April 30, 2008 was \$26,234. Employees may also elect to make additional individual contributions.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2008 and 2007

NOTE 10 BUDGETARY CONTROL:

The Commission adopts an operating budget for its business-type activities at the beginning of each year. The following is a summary of the budgets and results for 2008:

	<b>2008</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>Revenues</b>	<b>\$ 890,575</b>	<b>\$ 771,775</b>	<b>\$ 873,512</b>	<b>\$ 101,737</b>
<b>Expenses</b>	<b>803,473</b>	<b>751,109</b>	<b>666,836 *</b>	<b>84,273</b>

\* Includes depreciation expense (unbudgeted item) of \$22,595.

The following is a summary of the budgets and results for 2007:

	<b>2007</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
Revenues	\$ 566,496	\$ 566,496	\$ 480,742	(\$ 85,754)
Expenses	656,127	655,103	639,592 *	15,511

\* Includes depreciation expense (unbudgeted item) of \$21,912.

NOTE 11 COMMITMENTS:

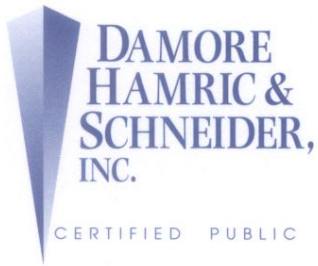
The Commission has entered into contract commitments whose terms exceed the Commission's year end. As of April 30, 2008 and 2007, remaining commitments totaled \$65,000 and 60,000, respectively.

NOTE 12 CONTINGENCY:

The California Wheat Commission is subject to a re-approval hearing in the fifth year following the effective date of the marketing order and every five years thereafter. At that time, it is determined if the program is meeting the declared objectives and if it will be renewed for the following five years. The Commission was reconfirmed at a voting referendum in February 2008 to operate through April 2013.



**SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Commissioners  
of California Wheat Commission

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the California Wheat Commission as of and for the years ended April 30, 2008 and 2007, which is presented in the preceding section of this report. The statement of general and administrative expenses on the following page is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Damore, Hamric + Schneider Inc*

DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

September 4, 2008

California Wheat Commission

STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES  
 PROPRIETARY FUNDS

For the Fiscal Years Ended April 30, 2008 and 2007

	<b>Wheat Commission 2008</b>	<b>Wheat Commission 2007</b>
	<u>2008</u>	<u>2007</u>
Salaries	\$ 151,335	\$ 153,358
Payroll Taxes and Employee Benefits	31,242	28,263
Publications	22,950	15,738
California Association of Wheat Growers	30,000	30,000
Staff Expenses	12,524	9,782
Commissioners' Expenses	20,045	11,632
Office Expenses	7,525	5,525
Insurance	18,703	17,950
Utilities	5,305	5,566
Occupancy	9,860	9,429
Legal and Accounting	9,904	9,423
California Department of Food and Agriculture	9,352	7,308
Depreciation	22,595	21,912
Non-Capitalized Equipment	<u>1,884</u>	<u>          </u>
	<u>\$ 353,224</u>	<u>\$ 325,886</u>