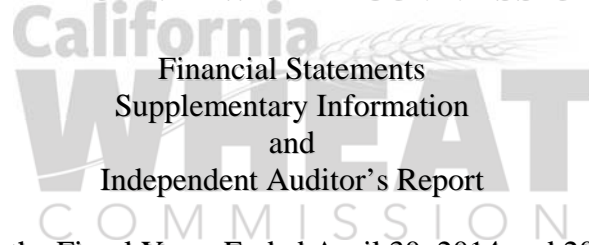


CALIFORNIA WHEAT COMMISSION



Financial Statements
Supplementary Information
and
Independent Auditor's Report

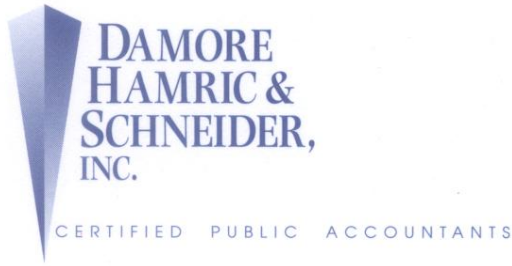
For the Fiscal Years Ended April 30, 2014 and 2013

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 California Wheat Commission as of and for the fiscal years ended April 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Wheat Commission as of April 30, 2014 and 2013, and the changes in financial position, and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has omitted Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of general and administrative expenses on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

August 28, 2014

California Wheat Commission

STATEMENTS OF NET POSITION

April 30, 2014 and 2013

ASSETS

<u>Current Assets:</u>	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 428,909	\$ 123,037
Investments-Short-term	\$ 800,000	\$ 954,173
Receivables:		
Assessments	\$ 9,695	\$ 14,460
Other	6,152	3,552
	<u>\$ 15,847</u>	<u>\$ 18,012</u>
Prepaid Contracts	\$ 83,991	\$ 68,793
Prepaid Expenses	9,038	8,645
	<u>\$ 93,029</u>	<u>\$ 77,438</u>
 Total Current Assets	 <u>\$ 1,337,785</u>	 <u>\$ 1,172,660</u>
 <u>Other Assets:</u>		
Investments - Long-term	\$	\$ 400,000
Property and Equipment, Net of Accumulated Depreciation	173,938	189,267
	<u>\$ 173,938</u>	<u>\$ 589,267</u>
 Total Non-Current Assets	 <u>\$ 173,938</u>	 <u>\$ 589,267</u>
 Total Assets	 <u>\$ 1,511,723</u>	 <u>\$ 1,761,927</u>

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

California Wheat Commission

STATEMENTS OF NET POSITION

April 30, 2014 and 2013

LIABILITIES AND NET POSITION

<u>Current Liabilities:</u>	<u>2014</u>	<u>2013</u>
Accounts Payable	\$ 10,519	\$ 12,389
Pension Payable	34,302	31,962
Accrued Vacation	<u>35,414</u>	<u>32,709</u>
Total Current and Total Liabilities	<u>\$ 80,235</u>	<u>\$ 77,060</u>
 <u>Net Position:</u>		
Invested in Capital Assets, Net of Related Debt	\$ 173,938	\$ 189,267
Unrestricted	<u>1,257,550</u>	<u>1,495,600</u>
Total Net Position	<u>\$ 1,431,488</u>	<u>\$ 1,684,867</u>
Total Liabilities and Net Position	<u><u>\$ 1,511,723</u></u>	<u><u>\$ 1,761,927</u></u>

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

California Wheat Commission

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended April 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assessments Revenue, Net of Refunds of \$22,892 in 2014 and \$34,087 in 2013	\$ 826,044	\$ 941,036
<u>Laboratory Revenue:</u>		
Crop Quality	\$ 9,845	\$ 12,796
Laboratory Analysis	<u>48,950</u>	<u>30,985</u>
	\$ 58,795	\$ 43,781
<u>Other Income:</u>		
Miscellaneous	\$ 100	\$ 100
Total Operating Revenue	<u>\$ 884,939</u>	<u>\$ 984,917</u>
<u>Expenses:</u>		
General and Administrative	\$ 348,738	\$ 337,219
Research Projects	314,228	336,493
Market Development	244,256	251,595
Laboratory	210,958	206,131
Depreciation	<u>29,378</u>	<u>35,678</u>
Total Operating Expenses	<u>\$ 1,147,558</u>	<u>\$ 1,167,116</u>
Operating Loss	(\$ 262,619)	(\$ 182,199)
<u>Other Income:</u>		
Interest Income	\$ 9,240	\$ 7,299
Total Other Income	<u>\$ 9,240</u>	<u>\$ 7,299</u>
Changes In Net Position	(\$ 253,379)	(\$ 174,900)
Net Position, Beginning of Year	<u>1,684,867</u>	<u>1,859,767</u>
Net Position, End of Year	<u>\$ 1,431,488</u>	<u>\$ 1,684,867</u>

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

California Wheat Commission

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 887,104	\$ 986,644
Payments to Employees	(444,725)	(416,451)
Payments to Suppliers	(685,871)	(701,744)
Net Cash Used by Operating Activities	(\$ 243,492)	(\$ 131,551)
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(\$ 14,049)	\$
Decrease in Related Party Receivables	_____	1,400
Net Cash Provided (Used) by Capital and Related Financing Activities	(\$ 14,049)	\$ 1,400
<u>Cash Flows from Investing Activities:</u>		
Interest Income	\$ 9,240	\$ 7,299
Sale of Investments	954,173	631,984
Purchase of Investments	(400,000)	(951,419)
Net Cash Provided (Used) by Investing Activities	\$ 563,413	(\$ 312,136)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 305,872	(\$ 442,287)
Cash and Cash Equivalents, Beginning of Year	123,037	565,324
Cash and Cash Equivalents, End of Year	<u>\$ 428,909</u>	<u>\$ 123,037</u>

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

California Wheat Commission

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Loss	(\$ 262,619)	(\$ 182,199)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	29,378	35,678
(Increase) Decrease in:		
Receivables	2,164	1,726
Prepaid Expenses	(15,590)	15,364
Increase (Decrease) in:		
Accounts Payable	(1,870)	(9,790)
Contributions Payable		
Profit Sharing Contribution Payable	2,340	7,165
Compensated Absences	<u>2,705</u>	<u>505</u>
Net Cash Used by Operating Activities	<u>(\$ 243,492)</u>	<u>(\$ 131,551)</u>

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

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the 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. Financial Statements Presentation - The Commission applies all Governmental Accounting Standards (GASB) as promulgated in the GASB Codification (“the Codification”).

The Governmental Accounting Standards Board establishes standards for external financial reporting for all state and local governmental entities which 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 no related debt at April 30, 2014 or 2013.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Financial Statements Presentation (Continued):

- *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 no restricted assets at April 30, 2014 or 2013.
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

C. Basis of Accounting/Measurement Focus - The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. 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. Operating revenues are those revenues that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to primary operations. All other expenses are reported as non-operating expenses.

D. 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.

E. Investments - The Commission can invest in certificates of deposit and treasury bills. Short-term investments as of April 30, 2014 consisted of various certificates of deposit with maturity dates ranging from June 2014 through November 2014.

Short-term investments as of April 30, 2013 consisted of a Certificate of Deposit Account Registry Service (CDARS) account and various certificates of deposit with maturity dates ranging from July 2013 through February 2014. The Commission had three long-term certificates of deposit with maturity dates ranging from June 2014 through August 2014.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- F. 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.
- G. Assessments Revenue - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The assessment rates were five cents per hundred weight of wheat handled in the fiscal years ended April 30, 2014 and April 30, 2013.
- H. 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 |
- I. 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.
- J. Post-Retirement Benefits - The Commission provides no post-retirement benefits other than pensions (see Note 6) for its employees.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- K. 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.
- L. Use of Restricted/Unrestricted Net Assets - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to apply restricted net assets first.
- M. 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.
- N. 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. Accordingly, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS:

The Commission maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing and \$250,000 for noninterest-bearing accounts. At April 30, 2014, all balances were insured. During the years ended April 30, 2014 and 2013, the Commission was investing in Certificates of Deposit with Edward Jones with a balance of \$800,000 and \$1,150,000, respectively, all of which were fully insured.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued):

The total carrying values of amounts on deposit with financial institutions as of April 30, 2014 and 2013 were as follows: cash and cash equivalents - \$428,909 and \$123,037, respectively; investments - \$800,000 and \$1,354,173, respectively. During the year ended April 30, 2013, the Commission was also investing in a Certificate of Deposit Account Registry Service (CDARS) account. The balance as of April 30, 2013 was \$204,173. This investment was also insured.

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. The Commission maintains its cash balances within insurance limits as a means of limiting its exposure to custodial credit risk.

Interest Risk - The Commission diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer as a means of limiting its exposure to interest rate risk. 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 RELATED PARTY TRANSACTIONS:

The California Department of Food and Agriculture (CDFA) provides marketing and supervision to the Commission. The Commission paid CDFA \$16,887 and \$17,753 for these services for the fiscal years ending April 30, 2014 and 2013, respectively. As of the end of the 2014 and 2013 fiscal years, amounts owed to CDFA for these services were \$3,832 and \$1,530, respectively.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 4 PROPERTY AND EQUIPMENT:

Property and equipment at April 30, 2014 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Office & Laboratory Equipment	507,948	14,049		521,997
Condominium Suite	<u>200,000</u>			<u>200,000</u>
Total Capital Assets Being Depreciated	\$ 872,356	\$ 14,049	\$	\$ 886,405
Less Accumulated Depreciation	(<u>683,089</u>)	(<u>29,378</u>)		(<u>712,467</u>)
Net Capital Assets	<u>\$ 189,267</u>	<u>(\$ 15,329)</u>	<u>\$ 0</u>	<u>\$ 173,938</u>

Property and equipment at April 30, 2013 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Office & Laboratory Equipment	528,469		20,521	507,948
Condominium Suite	<u>200,000</u>			<u>200,000</u>
Total Capital Assets Being Depreciated	\$ 892,877	\$	\$ 20,521	\$ 872,356
Less Accumulated Depreciation	(<u>667,932</u>)	(<u>35,678</u>)	(<u>20,521</u>)	(<u>683,089</u>)
Net Capital Assets	<u>\$ 224,945</u>	<u>(\$ 35,678)</u>	<u>\$ 0</u>	<u>\$ 189,267</u>

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 5 LEASES:

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

<u>Year Ending April 30,</u>	
2015	\$ 515
2016	515
2017	<u>214</u>
	<u>\$ 1,244</u>

Total lease expense for the years ended April 30, 2014 and 2013 was \$640 and \$2,298, respectively.

NOTE 6 PENSION PLAN:

The Commission sponsors a defined contribution profit sharing 401(k) plan that was administered by Employee Fiduciary. 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 was \$34,302 and \$31,962 for the years ended April 30, 2014 and 2013, respectively. Employees may also elect to make additional individual contributions.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 7 BUDGETARY CONTROL:

The Commission adopts an operating budget at the beginning of each year. The following is a summary of the budgets and results for 2014:

	2014			
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues	\$ 947,100	\$ 951,100	\$ 894,179	(\$ 56,921)
Expenses	1,203,098	1,196,598	1,147,558 *	49,040

* Includes depreciation expense (unbudgeted item) of \$29,378.

The following is a summary of the budgets and results for 2013:

	2013			
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues	\$ 1,057,100	\$ 1,057,100	\$ 992,216	(\$ 64,884)
Expenses	1,164,132	1,217,632	1,167,116 *	50,516

* Includes depreciation expense (unbudgeted item) of \$35,678.

NOTE 8 COMMITMENTS:

The Commission has entered into contract commitments whose terms exceed the Commission's year end. As of April 30, 2014 and 2013, remaining commitments totaled \$8,750 and \$153,750, respectively.

NOTE 9 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 2013 to operate through April 2018.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

NOTE 10 SUBSEQUENT EVENTS:

Management has evaluated subsequent events through August 28, 2014, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

California Wheat Commission

STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES

For the Fiscal Years Ended April 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Salaries	\$ 212,858	\$ 199,612
Payroll Taxes and Employee Benefits	48,972	42,690
Staff Expenses	2,114	1,516
Commissioners' Meetings	9,136	12,371
Office Expenses	9,239	11,935
Office Services and Occupancy	8,662	9,956
Insurance	15,366	13,701
Condominium Fees	4,047	4,047
Professional Services	21,457	23,084
California Department of Food and Agriculture	16,887	17,753
Bad Debt		554
	<u>\$ 348,738</u>	<u>\$ 337,219</u>