

**The California Future Farmers of
America Foundation
(A California Nonprofit Corporation)**

**Financial Statements and
Independent Auditor's Report
June 30, 2019 and 2018**



BALARSKY & BEEBOUT

CERTIFIED PUBLIC ACCOUNTANTS

**The California Future Farmers of America Foundation
(A California Nonprofit Corporation)**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors,
The California Future Farmers of America Foundation**

We have audited the accompanying financial statements of The California Future Farmers of America Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 qualified audit opinion.

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Basis for Qualified Opinion

As more fully described in Note 5 to the financial statements, The California Future Farmers of America Foundation has not recorded unconditional pledges and unconditional promises to pay as required under Generally Accepted Accounting Principles. Accounting principles generally accepted in the United States of America require unconditional pledges received to be recorded as revenue in the period received and as an accounts receivable asset on the balance sheet. Accounting principles generally accepted in the United States of America require unconditional promises to pay to be recorded as an expense in the period made and a liability on the balance sheet.

The effects on the accompanying financial statements of the failure to record unconditional pledges and unconditional promises to pay as required under Generally Accepted Accounting Principles are as follows:

If such pledges were recorded in the proper accounting period, pledges receivable as of June 30, 2019 would be reported as \$101,475, pledges payable would be \$2,204,000 and unrestricted net assets would decrease by \$2,102,525. Contributions in the current year would decrease by \$74,025.

If such promises were recorded as of June 30, 2018, pledges receivable would have been \$175,500, pledges payable would have been \$2,248,199 and unrestricted net assets would have decreased by \$2,072,699. Contributions for the year ended 2018 would have decreased by 65,225.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The California Future Farmers of America Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Balarsky & Beebout, CPAs
Sacramento, CA
October 28, 2019

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THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION
STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 901,086	\$ 771,892
Investments	279,127	275,945
Prepaid expenses	1,050	-
	<u>1,181,263</u>	<u>1,047,837</u>
TOTAL ASSETS	<u>\$ 1,181,263</u>	<u>\$ 1,047,837</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 29,634	\$ -
Due to FFA chapters	<u>3,500</u>	<u>3,500</u>
TOTAL LIABILITIES	33,134	3,500
 NET ASSETS		
Without donor restrictions	<u>1,148,129</u>	<u>1,044,337</u>
TOTAL NET ASSETS	1,148,129	1,044,337
 TOAL LIABILITIES AND NET ASSETS	<u>\$ 1,181,263</u>	<u>\$ 1,047,837</u>

See accompanying notes to the financial statements.

THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2019 and 2018

	June 30, 2019		June 30, 2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
CONTRIBUTIONS, SCHOLARSHIPS AND GRANTS				
Contributions, Gifts and Grants	\$ 84,950	\$ -	\$ 37,886	\$ -
FFA Center Contributions (Note 5)	421,398	-	449,966	-
Award Sponsorships	29,000	-	30,500	-
Interest and Dividends	51,141	-	19,932	-
<i>Net assets released from restrictions:</i>	-	-	-	-
	<u>586,489</u>	<u>-</u>	<u>538,284</u>	<u>-</u>
TOTAL SUPPORT AND GAIN				
	586,489	-	538,284	-
EXPENSES				
Programs	449,589	-	744,368	-
General and administrative	20,697	-	26,979	-
Fundraising	12,411	-	25,051	-
	<u>482,697</u>	<u>-</u>	<u>796,398</u>	<u>-</u>
TOTAL EXPENSES				
	482,697	-	796,398	-
CHANGE IN NET ASSETS				
	103,792	-	(258,114)	-
NET ASSETS, BEGINNING OF YEAR	<u>1,044,337</u>	<u>-</u>	<u>1,302,451</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,148,129</u>	<u>\$ -</u>	<u>\$ 1,044,337</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

	June 30, 2019			June 30, 2018				
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
FFA Center Construction (Note 4)	\$ 139,823	\$ -	\$ -	\$ 139,823	\$ 139,823	\$ -	\$ -	\$ 139,823
Fundraising/FFA Center Event Expenses	113,784	-	12,411	126,195	225,459	-	25,051	250,510
Scholarships	59,640	-	-	59,640	188,089	-	-	188,089
Professional Fees	48,095	4,757	-	52,852	49,014	4,847	-	53,861
FFA Center	36,654	2,759	-	39,413	90,119	6,783	-	96,902
Award Program	25,459	-	-	25,459	27,216	-	-	27,216
Office Expenses	15,017	2,445	-	17,462	8,420	1,371	-	9,791
Printing and Publications	7,620	-	-	7,620	12,726	-	-	12,726
CATA Contract	-	6,487	-	6,487	-	7,222	-	7,222
Nilson- Disbursements	3,497	-	-	3,497	3,502	-	-	3,502
Investment Fees	-	3,260	-	3,260	-	3,272	-	3,272
Board of Directors Insurance & Meeting Expenses	-	989	-	989	-	3,484	-	3,484
TOTAL EXPENSES	\$ 449,589	\$ 20,697	\$ 12,411	\$ 482,697	\$ 744,368	\$ 26,979	\$ 25,051	\$ 796,398

See accompanying notes to the financial statements.

THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 103,792	\$ (258,114)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
<i>Changes in operating assets and liabilities:</i>		
Prepaid expenses	(1,050)	-
Accounts payable	29,634	-
Investments	(3,182)	(12,602)
	<u>25,402</u>	<u>(12,602)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	129,194	(270,716)
NET CHANGE IN CASH AND CASH EQUIVALENTS	129,194	(270,716)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>771,892</u>	<u>1,042,608</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 901,086</u>	<u>\$ 771,892</u>

See accompanying notes to the financial statements.

THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION
NOTES TO FINANCIAL STATEMENTS

ORGANIZATION

General: The California Future Farmers of America Foundation "the Foundation" is a non-profit corporation organized under the laws of the State of California, established to promote the agricultural abilities among California's youth. The Foundation was incorporated in April of 1972.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalent.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Actual results could differ from those estimates.

Income Taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code for revenue generated from its exempt purpose activities.

Uncertainty in Income Taxes: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to report information regarding its exposure to various tax positions taken. The Foundation has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that the Foundation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Foundation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Concentrations: The Foundation maintains its cash in bank accounts that, at times, may not be covered by federal insurance. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risks related to cash.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses: Expenses that can be identified with a specific program or supporting service are charged directly to the related program or service. Expenses associated with more than one program or supporting service are allocated to functional categories using allocation methods appropriate to the nature of the expense.

Fair Value: The Foundation applies fair value accounting to all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or what would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. 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 uses unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities

Level 2 uses inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 uses unobservable information with little or no market data.

Note 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position. There were no changes in methodologies in the year ended June 30, 2019.

Mutual funds and Exchange Traded Products (ETPs): Valued at quoted market prices from daily exchange traded markets are based on the closing price as of balance sheet date. The following table summarize the assets measured at fair value on a recurring basis:

As of June 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded products	\$ 16,572	\$ -	\$ -	\$ 16,572
Mutual Funds	227,021	-	-	227,021
Stocks	30,547	-	-	30,547
Money Market	4,987	-	-	4,987
Total	\$ 279,127	\$ -	\$ -	\$ 279,127

THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

As of June 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded products	\$ 14,760	\$ -	\$ -	\$ 14,760
Mutual Funds	210,106	-	-	210,106
Stocks	33,054	-	-	33,054
Money Market	18,025	-	-	18,025
Total	\$ 275,945	\$ -	\$ -	\$ 275,945

The organization has invested a majority of the securities it owns with the National FFA Foundation, Inc. Pooled Investment Trust Fund. The Pooled Investment Trust Fund has a fair market value of \$5,228,824 of which 91% is invested in mutual funds, 7% in stocks and bonds and 2% is in cash. The organization owns approximately 4.8% of the total fund as of June 30, 2019, and 4.9% in 2018.

NOTE 3- DUE TO FFA CHAPTERS

The Foundation received a donation of funds from the Nilson estate. Under an agreement with the estate, 45% of the earnings on the funds were to be distributed to the FFA Chapters of the Santa Clara Section. At present, per an agreement with Santa Clara Section Schools, the amount due is frozen at \$3,500, indefinitely, in order to build-up funds in the investment account. The amount of \$3,500 was due as of June 30, 2019 and 2018.

NOTE 4 - FFA CENTER CONSTRUCTION

The California Association FFA Owns the Land and Building that the Foundation is financing through their fundraising efforts. The funds raised by the Foundation will be used for servicing the construction loan and to create an endowment for future maintenance costs.

NOTE 5 – UNCONDITIONAL PROMISES

Under GAAP, the Foundation is required to record unconditional promises that it will receive as an asset and support revenue and the unconditional promises to donate as a liability and donation expense in the year the unconditional promise is made. A promise is unconditional if its receipt depends only on the passage of time or demand by the donee and the donor has no right to have the donated asset returned. In 2007, the Foundation made a promise to pay loan payments for the FFA Development Center. The original amount of the loan obligation was \$2,700,000 payable in annual installments of \$139,823. The Foundation began a capital campaign in 2007 to fund its promise to pay. As of June 30, 2019, the Foundation's balance on its obligation was \$2,204,000 and the Foundation has \$101,475 of pledges receivable. The current year's overstated revenue is \$74,025 based on the calculation below. These transactions have not been recorded by the Foundation as required under GAAP.

THE CALIFORNIA FUTURE FARMERS OF AMERICA FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – UNCONDITIONAL PROMISES - CONTINUED

As of June 30, 2018, the Foundations balance on its obligation was \$2,248,199 and the Foundation has \$175,500 of pledges receivable. For 2018 revenue was overstated by \$65,225 based on the calculation below.

	<u>2019</u>		<u>2018</u>
Current year pledges – unrecognized revenue	\$ -	\$	17,150
Prior year pledges recognized as revenue in current year	<u>(74,025)</u>		<u>(82,375)</u>
Total (overstated)/understated revenue	\$ <u>(74,025)</u>	\$	<u>(65,225)</u>

NOTE 6- SUBSEQUENT EVENTS

In preparing these financial statements, The California Future Farmers of America Foundation has evaluated events and transactions for potential recognition or disclosure through October 28, 2019, the date the financial statements were available to be issued.