

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Note A - Organization and Summary of Significant Accounting Policies

Organization

The Citrus Research and Education Foundation, Inc. (the Foundation) is a not-for-profit organization in the State of Florida and has been certified as a direct support organization of the University of Florida by the University of Florida Board of Trustees. The Foundation was incorporated January 20, 1999.

The Foundation supports the mission of the Citrus Research and Education Center (CREC) and the Institute of Food and Agricultural Sciences through support of research, extension, and teaching.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions. At June 30, 2016 and 2015, all net assets are unrestricted.

Cash and Cash Equivalents

For purposes of the Statements of Financial Position and the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivables

Accounts receivables are stated at their estimated net realizable value. Management provides an allowance for doubtful accounts, equal to the estimated uncollectible amount, based on historical collection experience and review of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. It is reasonably possible that the estimate of the allowance for doubtful accounts will change. Management has provided an allowance for doubtful accounts of \$36,844 for June 30, 2016. No allowance for doubtful allowance was provided for June 30, 2015.

Inventory

Inventory consists of publications held for resale and is valued at cost or, in the case of donated items, at fair value at date of donation.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2016 AND 2015

Note A - Organization and Summary of Significant Accounting Policies - Continued

Fruit Retainage Certificates and Cooperative Stock

These investments are recorded at cost and consist of stock and allocated surplus of an agriculture cooperative and an electric cooperative.

Equipment

Equipment is stated at cost. Depreciation is computed using accelerated methods over the estimated useful lives of the related assets. The Foundation capitalizes grove equipment costing greater than \$5,000. Equipment purchases below this amount are expensed as incurred.

Equipment at June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Tractors and mowers	\$ 24,378	\$ 30,483
Irrigation	5,657	22,291
Grove equipment	22,346	22,346
Sprayers	<u>21,283</u>	<u>21,283</u>
Total	73,664	96,403
Less: accumulated depreciation	<u>(56,852)</u>	<u>(72,548)</u>
	<u>\$ 16,812</u>	<u>\$ 23,855</u>

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of an asset to future net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

Revenue Recognition

The Foundation recognizes fruit income when received or when credited to their account at their fruit processor, or, in the case of fruit pools maintained by the fruit processor, when a reasonable estimate of value has been made. Because of uncertainties in measurement, no recognition is made of the value of growing or unharvested fruit on trees.

Revenue from workshops and seminars as well as other revenue is recognized when received or credited.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2016 AND 2015

Note A - Summary of Significant Accounting Policies - Continued

Donated Goods and Services

The Foundation occupies office space at the University of Florida and is assisted by employees of the University at no charge to the Foundation. Additionally, the Foundation receives donated services from the officers and members of the Board of Directors assisting the Foundation in research and education programs. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition has not been satisfied.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status and Positions

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal and state income taxes on exempt income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Although organizations exempt under Section 501(c)(3) pay no tax on their exempt function income, they can be liable for business tax on income they earn from activities not related to their exempt purpose. For the years ended June 30, 2016 and 2015, management believes the Foundation engaged in no activities that were not related to their exempt purpose.

The Foundation has adopted Accounting Standards Codification 740-10 as it relates to uncertain tax positions. When applicable, any interest and penalties recognized as associated with a tax position are classified as current in the Foundation's financial statements.

Management has evaluated its tax positions taken for all open tax years. Currently, the 2012- 2015 tax years are open and subject to examination by the Internal Revenue Service. The Foundation is not currently under audit, nor has it been contacted by this jurisdiction. Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provisions for the effects of uncertain tax positions has been recorded for the years ended June 30, 2016 and 2015.

Date of Management Review

Subsequent events were evaluated through September 22, 2016, which is the date the financial statements were available to be issued.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2016 AND 2015

Note B - Certificate of Deposit

The Foundation has a certificate of deposit with a local bank. The certificate has not been presented as cash because its initial maturity was greater than three months. This certificate has a maturity date of July 14, 2018.

Note C - Leases

The Foundation leases citrus groves from governmental entities and a private individual. The Foundation pays the expenses of caretaking for these groves and uses the revenues generated by fruit sales in furtherance of its mission. In addition to generating income, these groves are used for applied research purposes. These leases contain nominal fees in the lease agreements. These fees are routinely waived by the entities or individuals leasing the groves to the Foundation.

Groves operated under lease include the following:

Four leases with the University of Florida, a related party, totaling 467 acres of lands located in Polk and Hillsborough Counties. Approximately 207 acres are planted in citrus, 72 are unplanted, and the remainder are utilized by the Citrus Research and Education Center for other purposes. The leases have various terms and nominal payments that are waived each year by the University.

A 196 acre grove in Highlands County, Florida leased from the Florida Fish and Wildlife Conservation Commission. This is a 37 year lease.

A 20 acre grove in Polk County, Florida, leased from an individual. This is an annual lease where the Foundation has agreed to pay an amount equal to the yearly ad valorem taxes assessed.

Four groves totaling 103 acres in Polk County, Florida leased from Eagle Ridge Properties, Inc., a corporation wholly-owned by the University of Florida Foundation, Inc., a related party. This is a 41 year lease.

Note D - Related Parties

The Board of Directors of the Foundation includes members of the agricultural industry. These members and their affiliated organizations may be included among the customers purchasing the Foundation's products or benefiting from research sponsored by it.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2016 AND 2015

Note D - Related Parties - Continued

The Foundation maintains a spending account at the University of Florida so that payment of common expenses of the Foundation and the University are centralized. Activity during the years ended June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Balance - beginning of year	\$ 21,289	\$ 141,955
Transferred in	227,299	100,075
Transferred out	<u>(215,014)</u>	<u>(220,741)</u>
 Balance - end of year	 <u>\$ 33,574</u>	 <u>\$ 21,289</u>

Substantially all of the revenue derived from grove use, the pilot plant, and laboratory fees are attributable to services provided to the Institute of Food and Agricultural Sciences of the University of Florida.

Note E - Fair Value of Financial Instruments

Due to their short duration, the Foundation estimates that the fair value of all financial instruments at June 30, 2016 and 2015, does not differ materially from the aggregate carrying values of its instruments recorded in the accompanying Statements of Financial Position.

Note F - Investments in Fruit and Electric Cooperatives

Investment in fruit cooperatives consist of stock and equity retain certificates in Haines City Citrus Growers Association (Association) and its related cannery. These investments are stated at cost. Equity retains represent earnings that have been withheld, or retained, by the Association for capital needs. They are redeemed, without interest, at the option of the Association.

Investment activity involving cooperative stock and retains for the years ended June 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Opening balance	\$ 30,995	\$ 30,995
Retains issued	<u>160</u>	<u>-</u>
 Ending balance	 <u>\$ 31,155</u>	 <u>\$ 30,995</u>

The Foundation has \$3,000 on deposit with the Glades Electric Cooperative for electrical service to one of the citrus groves. This membership capital deposit is combined on the Statements of Financial Position with the above fruit cooperative stock under the caption "Fruit retainage certificates and stock in cooperatives".

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2016 AND 2015

Note G - Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances at banks and receivables and fruit pools which are due from the Foundation's fruit processors and brokers. Management reviews the fruit accounts regularly and believes that its credit risk exposure is limited. It has been determined that the Foundation's cash balances qualify as public deposits that are fully collateralized at the depository institutions as reported by the Florida Department of Financial Services.