

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

**JUNE 30, 2019 AND 2018**



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**CROCE, SANGUINETTI, & VANDER VEEN**

INC.

**CERTIFIED PUBLIC ACCOUNTANTS**

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CROCE, SANGUINETTI, & VANDER VEEN<sup>INC.</sup>

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

To the Board of Commissioners  
**Lodi Winegrape Commission**  
**Crush District #11, Local Commission**  
Lodi, California

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of **Lodi Winegrape Commission Crush District #11, Local Commission** (the Commission), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic 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.

### Auditors' 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 auditors' 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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of **Lodi Winegrape Commission Crush District #11, Local Commission** as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Croce, Sanguinetti, & Vander Veen, Inc.*

CROCE, SANGUINETTI, & VANDER VEEN, INC.  
Certified Public Accountants  
Stockton, California  
October 1, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis**

June 30, 2019 and 2018

Our discussion and analysis of the Lodi Winegrape Commission Crush District #11, Local Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements, which begin on page 13.

**Financial Highlights**

- Total assets of the Commission were \$1,389,347 with capital assets at \$91,709, net of accumulated depreciation. Current assets for the year ended June 30, 2019 and 2018 were \$1,297,638 and \$1,285,632, respectively.
- Total liabilities were \$164,700, of which all were considered current obligations.
- Assets of the Commission exceeded liabilities at the close of the most recent fiscal year by \$1,224,647 (net position). Of this amount, \$40,905 (unrestricted) may be used to meet the Commission's ongoing obligations and \$91,709 is net investment in capital assets.
- The Commission's net position decreased by \$19,683 from \$1,244,330 in FY 2018 to \$1,224,647 in FY 2019.
- Total operating revenues for the FY 2019 were \$2,605,245, which is an increase of 10% from the prior year. This change primarily reflects increases in revenues from assessments charged to wine grape producers.
- Total operating expenses for the FY 2019 were \$2,624,702. This figure is 8% less than the prior year, due primarily to decreases in marketing and promotion costs.
- Operating loss was \$19,683, a decrease of \$461,881 from the prior year's loss of \$481,564.
- Total non-operating revenues increased by \$820, due to a decrease in loss on asset disposals.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission is a corporate body (political subdivision) organized under the provisions of Division 22, Chapter 12.7, based upon favorable results of the referendum conducted during 1991 and every five years thereafter. The Commission is required to conduct the next referendum among the producers during 2021. The Commission follows proprietary fund reporting.

Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's basic financial statements are comprised of three components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Fund Net Position; and 3) Statement of Cash Flows.

(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

The *Statement of Net Position* presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the Commission is improving or deteriorating over time. This statement includes all of the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing profitability and credit worthiness as well as how the Commission's net position changed during the most recent fiscal year. This statement shows revenues and expenses from operations, non-operating revenues and expenses, and reconciles the change from one fiscal year to the next. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through assessments, revenues from the California Wine Education Foundation, event income, contributions and other sources of operating revenues.

The *Statement of Cash Flows* is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, noncapital financing activities, capital and related financing activities and investing activities. This statement also includes a reconciliation of operating profit (loss) to cash from operating activities. The primary purpose of this statement is to provide information about the Commission's cash receipts and cash payments during the reporting period.

**Notes to the Basic Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

**Financial Analysis**

*Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. As shown in Figure 1, the Commission's assets exceeded liabilities by \$1,224,647 on June 30, 2019, a decrease of \$19,683 or 2% less than the Commission's net position at June 30, 2018.

**Figure 1.**

	<b>Net Position</b>		Change	%
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>2018 to 2019</u>	
Current and other assets	\$ 1,297,638	\$ 1,285,632	\$ 12,006	1
Capital assets	<u>91,709</u>	<u>94,779</u>	<u>(3,070)</u>	(3)
Total assets	<u>1,389,347</u>	<u>1,380,411</u>	<u>8,936</u>	1
Current liabilities	<u>164,700</u>	<u>136,081</u>	<u>28,619</u>	21
Total liabilities	<u>164,700</u>	<u>136,081</u>	<u>28,619</u>	21
Net investment in capital assets	91,709	94,779	(3,070)	(3)
Unrestricted - undesignated	40,905	71,910	(31,005)	(43)
Unrestricted - assigned to primary reserves	413,129	413,005	124	1
Unrestricted - assigned to special projects	232,655	232,575	80	(1)
Unrestricted - designated Lodi Wine Country	<u>446,249</u>	<u>432,061</u>	<u>14,188</u>	3
Total net position, end of period	<u>\$ 1,224,647</u>	<u>\$ 1,244,330</u>	<u>\$ (19,683)</u>	(2)

(Continued)



**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

*Change in Net Position*

As shown in Figure 2, the Commission's operating and nonoperating activities decreased net position by \$19,683 as compared to a \$481,564 decrease in net position in the prior year. The Commission's decrease in net position is due to the combined changes of the following major components:

- The Commission's FY 2019 operating loss of \$19,457 (that portion of the Commission's operating expenses in excess of its operating revenues) represents an increase of \$461,061 from FY 2018's operating loss of \$480,518.
- Nonoperating revenue, net increased \$820 from \$(1,046) in FY 2018 to \$(226) in FY 2019.
- In June of 2013 the Board of Commissioners voted to develop a Primary Reserve Account and a Special Projects Account separate from the day-to-day Operating Account. The Primary Reserve acts as an emergency or "rainy day" fund, while the Special Projects allows for income above projections to be allocated to special projects or items that may not have been apparent during the budgeting process. Both of these funds require Board approval for allocation and expenditure of funds. There were no increases to the Primary Reserves fund or the Special Projects fund approved during the FY 2019. In FY 2019, the only activity in the Primary Reserve account and Special Projects account was increases applicable to interest income.

**Figure 2.**

**Changes in Fund Net Position**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change 2018 to 2019</u>	<u>%</u>
Operating revenues	\$ 2,605,245	\$ 2,368,208	\$ 237,037	10
Operating expenses	<u>2,624,702</u>	<u>2,848,726</u>	<u>(224,024)</u>	(8)
Operating profit (loss)	<u>(19,457)</u>	<u>(480,518)</u>	<u>461,061</u>	96
Nonoperating revenues				
Interest income	400	693	(293)	(42)
Loss on asset disposals	(538)	(1,739)	1,201	69
Interest expense	<u>(88)</u>	<u>-</u>	<u>(88)</u>	(100)
Total nonoperating revenues (expenses)	<u>(226)</u>	<u>(1,046)</u>	<u>820</u>	78
Change in net position	(19,683)	(481,564)	461,881	96
Total net position, beginning of year	<u>1,244,330</u>	<u>1,725,894</u>	<u>(481,564)</u>	(28)
Total net position, end of year	<u>\$ 1,224,647</u>	<u>\$ 1,244,330</u>	<u>\$ (19,683)</u>	(2)

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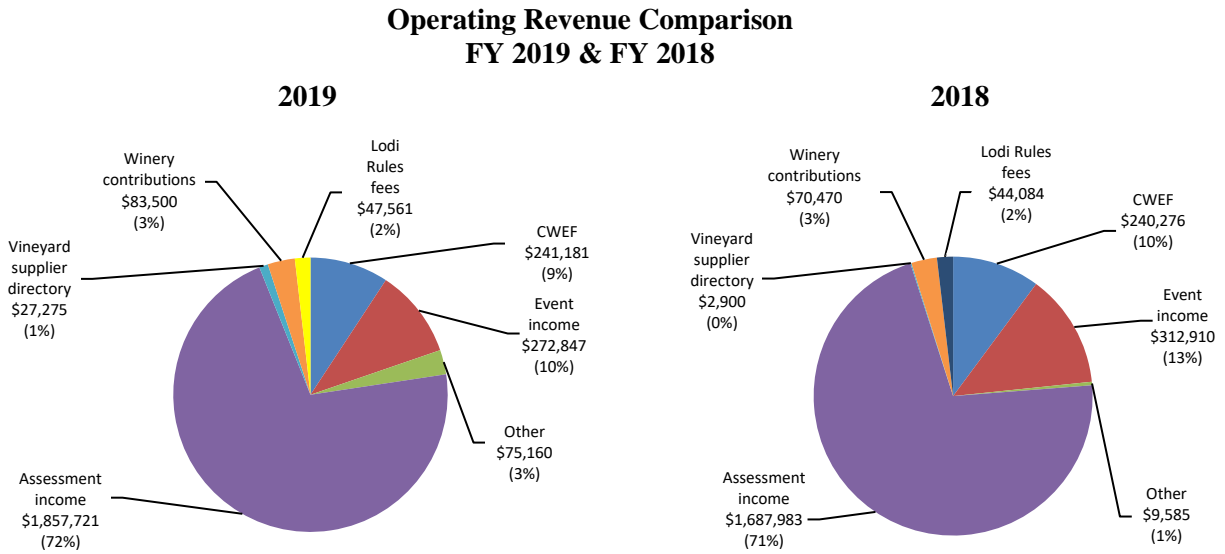
**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

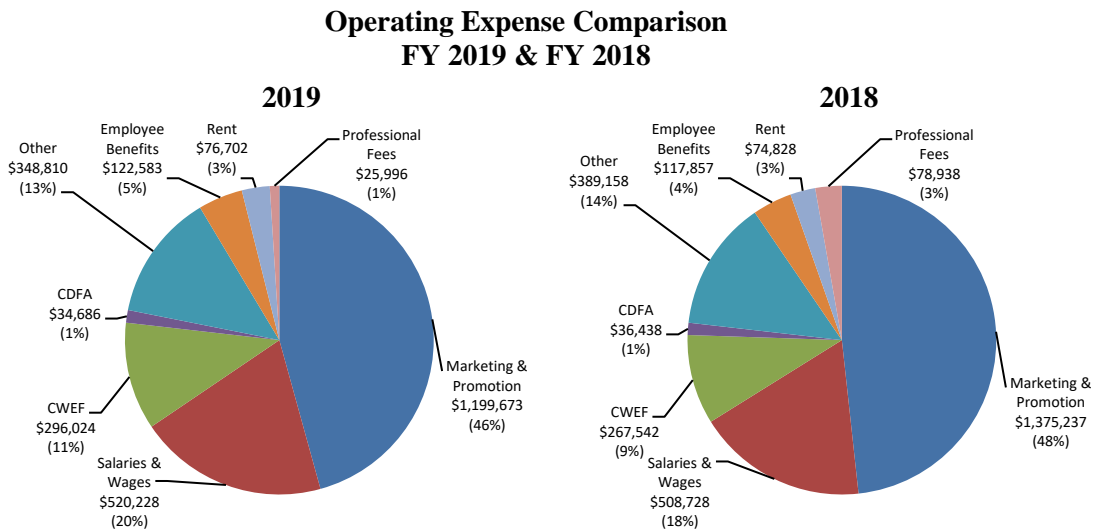
Operating Revenues. Operating revenues increased 10% or \$237,037, due to an increase in assessment income from wine grape producers resulting from increased crop yields and an increase in grant income and vineyard supplier directory income.

**Figure 3.**



Operating Expenses. Operating expenses decreased 8% or \$224,024 due primarily to decreases in wages and marketing and promotion expenses and marketing research expenses.

**Figure 4.**



(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

Nonoperating Revenues (Expenses). Total nonoperating revenues (expenses) for FY 2019 increased \$820 over FY 2018. This was due to a decrease in loss on disposal of assets. There was a large amount of asset dispositions made during FY 2018 and not all of the assets were fully depreciated as of disposal date. During FY 2019, nonoperating revenues (expenses) consisted of interest income, loss on disposal of assets, and interest expense.

**Capital Asset and Debt Administration**

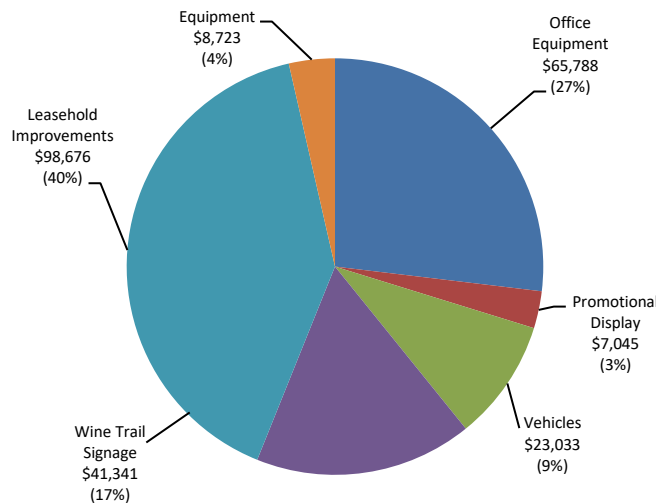
*Capital Assets Activity*

The Commission's net investment, after depreciation, in capital assets as of June 30, 2019 amounted to \$91,709. The Commission's capital assets include all office equipment, equipment, promotional display, vehicles, wine trail signage, and leasehold improvements owned by the Commission. The total decrease in the Commission's investment in capital assets for the current fiscal year was 3% or \$3,070.

Figure 5 shows the Commission's largest capital asset categories and their portion (%) of the Commission's total asset value in FY 2019.

**Figure 5.**

**Distribution of Commission Capital Assets  
FY 2019**



Additional information on the Commission's capital assets can be found on page 20 herein.

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**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

The Lodi Winegrape Commission was established 28 years ago to serve the interests of the winegrape growers in California Crush District 11. This past year the Lodi Winegrape Commission undertook a strategic planning process and established the following vision and mission statements and adopted five strategic priorities for the next three years.

**Vision**

To be the most dynamic region in California for winegrowing and winemaking, so that our community is fully sustained for generations to come.

**Mission**

To empower all Lodi Crush District 11 winegrowers and serve their common interests to enhance the profitability of production through promotion, research, and education.

**Strategic Priority #1 - The Lodi Brand and Story**

Establish brand clarity integrating the heart and soul of Lodi to increase awareness. Tell the Lodi story while collaborating with our partners.

**Objectives**

- Accelerate broad market awareness
- Increase value and demand of Lodi winegrapes among grape buyers
- Increase demand of Lodi wines among wine buyers and invest in new markets
- Elevate the image and perception of Lodi grown wines.
- Support wineries who invest in putting the Lodi AVA on the front label

**Initiatives**

- Engage in a branding process to reinvigorate the Lodi brand
- Develop the Lodi story and key messages - Integrate LODI RULES talking points into the story narrative
- Identify and train spokespersons
- Focus audience outreach for greatest impact - Increase sampling of Lodi grown wines among core influencers to showcase quality
- Create a five-year marketing plan
  1. Broad market awareness
  2. Destination marketing
- Integrate the brand across all marketing channels and into all initiatives

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**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

**Strategic Priority #2 - Business Success**

Establish programs to increase demand, work with winegrowers and wineries to increase sales of Lodi winegrapes and wine.

**Objectives**

*Winegrape Growers:*

- Influence winegrape buyers with Lodi regional brand message
- Grow LODI RULES and its impact

*Wineries:*

- Expand wine sales and establish new sales channels
- Use the LODI RULES in the brand narrative
- Strengthen tourism marketing via collaboration to grow DTC sales

**Initiatives**

*Winegrape Growers:*

- Develop a database and an approach to connect with top winegrape buyers and marketers
- Evaluate industry tradeshows and determine ways to enhance involvement with meaningful outreach
- Integrate LODI RULES talking points into the story narrative
- Evaluate and determine networking events among winegrape growers

*Wineries:*

- Evaluate national and regional events and prioritize to position Lodi wines among buyers
- Engage in key export opportunities aligned with CA Wine Institute Programs

**Strategic Priority #3 - Education and Innovation**

Support and create educational programs to grow stakeholders' profitability.

**Objectives**

- Engage the next generation of leaders
- Add to the narrative and engagement of LODI RULES from their viewpoint

*Winegrape Growers:*

- Evaluate education programming and encourage constituent involvement
- Prioritize mechanization, premiumization, and vineyard profitability
- Connect research needs of winegrowers with leading experts to drive innovation

(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

*Wineries:*

- Improve customer experience for guests visiting Lodi Wine Country
- Improve business professionalism and Capabilities

**Initiatives**

- Develop a Lodi specific leadership program to engage the next generation of leaders to invest in their community and organization

*Winegrape Growers:*

- Evaluate current education programs and create tools and opportunities with the greatest impact to winegrower constituents
- Invest in outreach that supports vineyard efficiency, premiumization, and profitable winegrowing
- Network with research community and key innovators
- Communicate key learnings to growers and key influencers for maximum benefit

*Wineries:*

- Invest in hospitality training
- Develop educational programs that improve winery skills, quality, and capabilities

**Strategic Priority #4 - Lodi Winegrape Commission**

Communicate our value among winegrape producers and stakeholders. Showcase results and optimize the organizational capacity.

**Objectives**

- Build pride among the constituents and celebrate the organization's successes through consistent communication
- Encourage Board of Directors to engage with constituent communication
- Support committees to take an active role in constituent engagement
- Demonstrate a history of smart investment by the organization and its overall financials health to align resources

**Initiatives**

- Create new ways to bring stakeholders together (ie., annual meeting, round table discussion, involvement in programming, etc.) to engage in two-way communication
- Demonstrate transparency of the inner workings of the commission (ie., financial health, program initiatives, annual plan, etc.)
- Measure success and celebrate accomplishments with consistent and regular communication
- Create tools (ie., hats) to demonstrate member appreciation and sense of ownership.

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**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Management's Discussion and Analysis (Continued)**

June 30, 2019 and 2018

**Strategic Priority #5 - Our Lodi Community**

Enhance the guest experience working with community partners. Strengthen the Lodi story emphasizing the industry's commitment, economic strength, and community support.

**Objectives**

- Collaborate with community partners (ie., Visit Lodi, Chamber, City, County) to align strategic initiatives
- Support development of tourism infrastructure - signage, restaurants, hotels, etc.
- Bring forth key messages and integrate into the narrative to align the commitment and success of the wine community with the Lodi community
- Update quantifiable data to measure the wine community's economic impact

**Initiatives**

- Align marketing initiatives to reduce duplication of efforts and maximize brand awareness
- Integrate economic data into public relations platform and communicate with elected officials, community groups, media, etc.
- Tell the philanthropic story of the wine community
- Tell the story of the wine community's leadership with emphasis on the land, the community and the people

**Requests for Information**

The financial report is designed to provide the reader with a general overview of the Commission's finances. Questions concerning any of the information provided herein or requests for additional information should be addressed to the Executive Director, Lodi Winegrape Commission Crush District #11, Local Commission, 2545 W. Turner Road, Lodi, California 95242.

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Statements of Net Position**

June 30,

**Assets and Deferred Outflows of Resources**

	<u>2019</u>	<u>2018</u>	<u>Change from 2018 to 2019</u>
<b>Current assets</b>			
Cash and cash equivalents	\$ 1,218,337	\$ 1,235,462	\$ (17,125)
Accounts receivable	18,002	33,578	(15,576)
Grants receivable	51,503	-	51,503
Prepaid expenses	396	7,192	(6,796)
Deposits	<u>9,400</u>	<u>9,400</u>	<u>-</u>
Total current assets	<u>1,297,638</u>	<u>1,285,632</u>	<u>12,006</u>
<b>Capital assets</b>			
Equipment	8,723	8,723	-
Leasehold improvements	98,676	98,676	-
Office equipment	65,788	70,799	(5,011)
Promotional display	7,045	8,197	(1,152)
Vehicles	23,033	23,033	-
Wine trail signage	<u>41,341</u>	<u>41,341</u>	<u>-</u>
	244,606	250,769	(6,163)
Less accumulated depreciation	<u>(152,897)</u>	<u>(155,990)</u>	<u>3,093</u>
Total capital assets	<u>91,709</u>	<u>94,779</u>	<u>(3,070)</u>
<b>Deferred outflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,389,347</u>	<u>\$ 1,380,411</u>	<u>\$ 8,936</u>

**Liabilities, Deferred Inflows of Resources and Net Position**

<b>Current liabilities</b>			
Accounts payable	\$ 129,330	\$ 99,781	\$ 29,549
Accrued expenses	35,370	32,800	2,570
Deferred revenue	<u>-</u>	<u>3,500</u>	<u>(3,500)</u>
Total current liabilities	<u>164,700</u>	<u>136,081</u>	<u>28,619</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>			
Net investment in capital assets	91,709	94,779	(3,070)
Unrestricted - undesignated	40,905	71,910	(31,005)
Unrestricted - assigned to primary reserves	413,129	413,005	124
Unrestricted - assigned to special projects	232,655	232,575	80
Unrestricted - designated Lodi Wine Country	<u>446,249</u>	<u>432,061</u>	<u>14,188</u>
Total net position	<u>1,224,647</u>	<u>1,244,330</u>	<u>(19,683)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,389,347</u>	<u>\$ 1,380,411</u>	<u>\$ 8,936</u>

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



**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Statements of Revenues, Expenses and  
Changes in Fund Net Position**

For the years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>Change from 2018 to 2019</u>
<b>Operating revenues</b>			
Assessment income	\$ 1,857,721	\$ 1,687,983	\$ 169,738
Event income	272,847	312,910	(40,063)
Winery contributions	83,500	70,470	13,030
Grant income	70,380	3,450	66,930
Lodi Rules fees	47,561	44,084	3,477
Vineyard supplier directory	27,275	2,900	24,375
Other	<u>4,780</u>	<u>6,135</u>	<u>(1,355)</u>
	<u>2,364,064</u>	<u>2,127,932</u>	<u>236,132</u>
California Wine Education Foundation			
Management service fees	195,000	195,000	-
Rent	<u>46,181</u>	<u>45,276</u>	<u>905</u>
	<u>241,181</u>	<u>240,276</u>	<u>905</u>
Total operating revenues	<u>2,605,245</u>	<u>2,368,208</u>	<u>237,037</u>
<b>Operating expenses</b>			
Marketing and promotion			
General	1,054,673	1,260,237	(205,564)
California Wine Education Foundation	145,000	115,000	30,000
Salaries and wages	520,228	508,728	11,500
Employee benefits	122,583	117,857	4,726
Rent	76,702	74,828	1,874
Research	72,373	1,289	71,084
Office expense	47,779	40,140	7,639
Equipment maintenance and rental	39,957	42,754	(2,797)
California Department of Food and Agriculture	34,686	36,438	(1,752)
Dues and subscriptions	33,239	34,258	(1,019)
Travel and entertainment	28,705	36,434	(7,729)
Grower meetings	27,986	23,977	4,009
Professional fees	25,996	78,938	(52,942)
Contributions	25,000	20,000	5,000
Insurance	22,910	21,470	1,440
Consulting	21,069	6,664	14,405
Depreciation	10,434	12,756	(2,322)
Vineyard supplier directory	7,122	-	7,122
Newsletters	5,905	4,037	1,868
Telephone	3,905	4,799	(894)

(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Statements of Revenues, Expenses and  
Changes in Fund Net Position (Continued)**

For the years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>Change from 2018 to 2019</u>
<b>Operating expenses (Continued)</b>			
Bank charges	1,082	15,113	(14,031)
Staff education	765	6,272	(5,507)
Personal property tax	579	559	20
Market research	-	100,151	(100,151)
Special events	-	18,485	(18,485)
	<u>2,328,678</u>	<u>2,581,184</u>	<u>(252,506)</u>
California Wine Education Foundation			
Allocated operating expenses			
Salaries and wages	207,619	178,472	29,147
Employee benefits	42,224	35,612	6,612
Rent	46,181	45,276	905
Other expenses	-	8,182	(8,182)
	<u>296,024</u>	<u>267,542</u>	<u>28,482</u>
Total operating expenses	<u>2,624,702</u>	<u>2,848,726</u>	<u>(224,024)</u>
Operating loss	<u>(19,457)</u>	<u>(480,518)</u>	<u>461,061</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	400	693	(293)
Loss on asset disposals	(538)	(1,739)	1,201
Interest expense	(88)	-	(88)
Total nonoperating revenues (expenses)	<u>(226)</u>	<u>(1,046)</u>	<u>820</u>
<b>Change in net position</b>	(19,683)	(481,564)	461,881
<b>Net position, beginning of year</b>	<u>1,244,330</u>	<u>1,725,894</u>	<u>(481,564)</u>
<b>Net position, end of year</b>	<u>\$ 1,224,647</u>	<u>\$ 1,244,330</u>	<u>\$ (19,683)</u>

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

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Statements of Cash Flows**

Years ended June 30,

	<u>2019</u>	<u>2018</u>	<u>Change from 2018 to 2019</u>
<b>Cash flows from operating activities</b>			
Cash received from growers	\$ 1,857,721	\$ 1,687,983	\$ 169,738
Cash received from other operating sources	708,097	735,603	(27,506)
Cash paid to suppliers/contributions	(2,061,460)	(2,275,163)	213,703
Cash paid to employees	<u>(513,893)</u>	<u>(500,380)</u>	<u>(13,513)</u>
Net cash used in operating activities	<u>(9,535)</u>	<u>(351,957)</u>	<u>342,422</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(7,902)	(3,775)	(4,127)
Interest expense	<u>(88)</u>	<u>-</u>	<u>(88)</u>
Net cash used in capital and related financing activities	<u>(7,990)</u>	<u>(3,775)</u>	<u>(4,215)</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>400</u>	<u>693</u>	<u>(293)</u>
Net cash provided by investing activities	<u>400</u>	<u>693</u>	<u>(293)</u>
<b>Net decrease in cash and cash equivalents</b>	(17,125)	(355,039)	337,914
<b>Cash and cash equivalents, beginning of year</b>	<u>1,235,462</u>	<u>1,590,501</u>	<u>(355,039)</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,218,337</u>	<u>\$ 1,235,462</u>	<u>\$ (17,125)</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
<b>Operating loss</b>	\$ (19,457)	\$ (480,518)	\$ 461,061
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	10,434	12,756	(2,322)
Decrease (increase) in operating assets:			
Accounts receivable	15,576	51,878	(36,302)
Grants receivable	(51,503)	-	(51,503)
Prepaid expenses	6,796	30,089	(23,293)
Deposits	-	(5,000)	5,000
Increase (decrease) in operating liabilities:			
Accounts payable	29,549	32,625	(3,076)
Accrued expenses	2,570	2,713	(143)
Deferred revenue	<u>(3,500)</u>	<u>3,500</u>	<u>(7,000)</u>
<b>Net cash used in operating activities</b>	<u>\$ (9,535)</u>	<u>\$ (351,957)</u>	<u>\$ 342,422</u>

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

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Notes to Financial Statements**

June 30, 2019 and 2018

**Note A - Summary of Accounting Policies**

This summary of significant accounting policies of Lodi Winegrape Commission Crush District #11, Local Commission (the Commission) is presented to assist in understanding the Commission's financial statements.

*Description of reporting entity*

The Commission is a corporate body (political subdivision) organized under the provisions of Division 22, Chapter 12.7, beginning with Section 74801 of the Food and Agricultural Code of California, based upon favorable results of the referendum conducted during 1991 and every five years thereafter. During 2021, the Commission is required to conduct the next referendum among the producers to determine whether the Commission's operations will continue in effect for an additional five-year period. The Commission is authorized to carry on programs of promotion, research, education, and integrated pest management relating to wine grape production and to levy an assessment not to exceed one percent of the gross dollar value of wine grapes marketed by producers to vintners.

Commission management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The Commission concluded that there are no potential component units which should be included in the reporting entity.

*Basis of accounting*

The financial statements have been prepared on the economic resources measurement focus and the accrual basis of accounting. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Commission's proprietary funds follow all GASB pronouncements currently in effect, as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Commission's operations include all revenues and expenses derived from promotion, research, education, and integrated pest management relating to winegrape production. Operating expenses also include administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues.

*Fund accounting*

The Commission utilizes proprietary funds to account for its activities, which are similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Notes to Financial Statements**

June 30, 2019 and 2018

**Note A - Summary of Accounting Policies (Continued)**

Budgetary accounting

The Commission adopts a non-appropriated budget annually which is approved by the Board of Commissioners.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable

Accounts receivable are considered by the Commission to be fully collectible.

Capital assets

The cost of additions to capital assets is capitalized. The Commission defines capital assets as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Leasehold improvements	7-15 years
Office equipment	5-15 years
Equipment	7-10 years
Promotional display	7 years
Vehicles	5 years
Wine trail signage	7 years

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Notes to Financial Statements**

June 30, 2019 and 2018

**Note A - Summary of Accounting Policies (Continued)**

Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.
- c. Unrestricted - Amounts not required to be reported in other components of net position. Portions of unrestricted net position have been designated for Lodi Wine Country programs. The designated amounts may not result in actual expenditures. Portions of unrestricted net position have been assigned to future obligations of the Commission. The assigned amounts will result in actual expenditures.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Advertising costs

The Commission expenses advertising costs as incurred. For the years ended June 30, 2019 and 2018, advertising costs amounted to \$622,646 and \$840,843, respectively.

Estimates

The preparation of the basic 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.

New accounting pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Commission will be required to implement the provisions of this Statement for the year ended June 30, 2021. The Commission has not determined the effect on the financial statements.

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Notes to Financial Statements**

June 30, 2019 and 2018

**Note B - Cash and Cash Equivalents**

The Commission maintains cash balances at two banks. Cash on deposit in excess of the federal insured limit of \$250,000 in a single financial institution may present a credit risk. The uninsured cash balances at June 30, 2019 and 2018 were \$836,387 and \$760,907, respectively.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Note C - Capital Assets**

Capital asset activity for the years ended June 30, 2019 and 2018 were as follows:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2019</u>
Depreciated capital assets				
Equipment	\$ 8,723	\$ -	\$ -	\$ 8,723
Leasehold improvements	98,676	-	-	98,676
Office equipment	70,799	7,902	(12,913)	65,788
Promotional display	8,197	-	(1,152)	7,045
Vehicles	23,033	-	-	23,033
Wine trail signage	<u>41,341</u>	<u>-</u>	<u>-</u>	<u>41,341</u>
Total depreciated capital assets	250,769	7,902	(14,065)	244,606
Less accumulated depreciation	<u>(155,990)</u>	<u>(10,434)</u>	<u>13,527</u>	<u>(152,897)</u>
Total depreciated capital assets, net	<u>\$ 94,779</u>	<u>\$ (2,532)</u>	<u>\$ (538)</u>	<u>\$ 91,709</u>
	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2018</u>
Depreciated capital assets				
Equipment	\$ 8,723	\$ -	\$ -	\$ 8,723
Leasehold improvements	98,676	-	-	98,676
Office equipment	91,204	3,775	(24,180)	70,799
Promotional display	8,197	-	-	8,197
Vehicles	23,033	-	-	23,033
Wine trail signage	<u>41,341</u>	<u>-</u>	<u>-</u>	<u>41,341</u>
Total depreciated capital assets	271,174	3,775	(24,180)	250,769
Less accumulated depreciation	<u>(165,675)</u>	<u>(12,756)</u>	<u>22,441</u>	<u>(155,990)</u>
Total depreciated capital assets, net	<u>\$ 105,499</u>	<u>\$ (8,981)</u>	<u>\$ (1,739)</u>	<u>\$ 94,779</u>

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Notes to Financial Statements**

June 30, 2019 and 2018

**Note D - Retirement**

The commissioners approved the establishment of vested retirement benefits for the employees at 11.7% of gross salaries. For the years ended June 30, 2019 and 2018, the combined total retirement benefit of \$84,612 and \$75,702, respectively, was paid directly to a simplified employee plan-individual retirement account (SEP-IRA) for each employee and included in operating expenses.

**Note E - Commitments**

The Commission leases office space and office equipment under lease agreements that expire on various dates through 2021.

*Office Lease*

The following schedule shows the composition of total rent expense for the office operating lease for the years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Minimum rentals	\$ 122,883	\$ 120,103
Sublease rental (California Wine Education Foundation)	<u>(46,181)</u>	<u>(45,276)</u>
	<u>\$ 76,702</u>	<u>\$ 74,827</u>

The following is a schedule by years of future minimum rental payments required under the office operating lease that has an initial or remaining noncancelable lease term in excess of one year as of June 30, 2019.

<u>Year ending June 30,</u>	<u>Operating lease</u>
2020	\$ 120,781
2021	<u>123,197</u>
Total minimum lease payments	<u>\$ 243,978</u>

*Office Equipment*

The following is a schedule by years of future minimum rental payments required under the office equipment operating leases that have an initial or remaining noncancelable lease term in excess of one year as of June 30, 2019.

<u>Year ending June 30,</u>	<u>Operating lease</u>
2020	\$ 25,520
2021	3,456
2022	<u>864</u>
Total minimum lease payments	<u>\$ 29,840</u>

The equipment rent expense for the years ended June 30, 2019 and 2018 was \$7,995 and \$7,288, respectively.



**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Notes to Financial Statements**

June 30, 2019 and 2018

**Note F - Insurance**

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to insure for risks of loss, the Commission purchases insurance through commercial insurance carriers.

At June 30, 2019, the Commission was covered by the following types of insurance:

<u>Coverage</u>	<u>Limits of liability</u>
Commercial general liability, aggregate	\$ 2,000,000
Commercial property	1,000,000
Personal injury, aggregate	1,000,000
Directors and officers liability	1,000,000
Workers compensation	Statutory

**Note G - Governing Board**

The governing board of the Commission consists of the following at June 30, 2019:

Bruce Fry, Chair	Matt Lauchland
Kendra Altnow, Vice Chair	Craig Ledbetter
Curt Gillespie, Secretary	Galen Schmiedt
Ben Kolber, Treasurer	Aaron Shinn
	Ed Van Diemen

District #11 consists of San Joaquin County north of State Highway 4 and east and west to the county lines; and Sacramento County south of U.S. 50 and east of Interstate 5 to the eastern county line.

**Note H - Related Party Transactions**

The California Wine Education Foundation dba the Lodi Wine and Visitor Center (a non-profit Organization), and the Commission share some common goals and; therefore, share certain facility and operating resources. The following summarizes the related party balances and transactions as of and for the years ended June 30, 2019 and 2018:

	<u>Amount</u>	
	<u>2019</u>	<u>2018</u>
<u>Statement of net position</u>		
Accounts receivable	\$ 5,857	\$ 1,366
Accounts payable	10,229	-
<u>Statement of revenues, expenses and changes in fund net position</u>		
<u>Operating revenues</u>		
Management service fees	\$ 195,000	\$ 195,000
Rent	46,181	45,276

(Continued)

**LODI WINEGRAPE COMMISSION  
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Notes to Financial Statements**

June 30, 2019 and 2018

**Note H - Related Party Transactions (Continued)**

	Amount	
	2019	2018
<u>Statement of revenues, expenses and changes in fund net position (Continued)</u>		
<u>Operating expenses</u>		
Marketing and promotion	145,000	115,000
Allocated operating expenses		
Salaries	207,619	178,472
Employee benefits	42,224	35,612
Rent	46,181	45,276
Other expenses	-	8,182