

**CITRUS RESEARCH AND DEVELOPMENT
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**CITRUS RESEARCH AND DEVELOPMENT
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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Bunting, Tripp & Ingley, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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ALSO WITH OFFICES IN
TAMPA, FLORIDA

The Board of Directors
Citrus Research and Development Foundation, Inc.
Lake Alfred, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Citrus Research and Development Foundation, Inc. (a nonprofit organization), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position, functional expenses, and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable of financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. 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 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 Citrus Research and Development Foundation, Inc. as of June 30, 2019, 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.

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 6 be presented to supplement the basic financial statements. Such information, although not a part of the 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 inquires 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of administrative support is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of *Chapter 10.650 Rules of the Auditor General* is presented for purposes of additional analysis and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of Citrus Research and Development Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Citrus Research and Development Foundation, Inc.'s internal control over financial reporting and compliance.


Lake Wales, Florida
October 30, 2019

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

Introduction

Citrus Research and Development Foundation, Inc. (CRDF) is a direct support organization of the University of Florida (the University). In 2009, CRDF was formed to coordinate citrus research funding in the face of huanglongbing (HLB, also known as "citrus greening"). While it addresses the full array of citrus research needs, CRDF has focused on HLB because it represents an existential threat to the Florida citrus industry.

This section of CRDF's annual financial report presents CRDF's analysis of its financial performance as of and for the year ended June 30, 2019, with comparative information as of and for the years ended June 30, 2018 and June 30, 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and related note disclosures.

Overview of the Financial Statements

Along with management's discussion and analysis, the annual financial report includes the independent auditor's report and the financial statements of CRDF. The financial statements also include notes that explain in more detail some of the information in the financial statements. By referring to the accompanying notes to the financial statements, a broader understanding of issues impacting financial performance can be realized.

The annual financial report also includes the independent auditor's report on Internal Control Over Financial Reporting, as well as Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Also included is the independent auditor's report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by the Florida Single Audit Act and Chapter 10.650, Rules of the Auditor General. There is a Schedule of Expenditures of State Projects and notes thereto together with a Schedule of Findings and Questioned Costs.

CRDF recognizes revenues and expenses on the statement of revenues, expenses, and changes in net position as grant funds are awarded by granting agencies and expenses as the obligation to expend those grant funds is determined for approved research projects. Because CRDF selects which research projects to fund, grant funds are not treated as agency fund pass-through amounts.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities and net position of CRDF as of the end of the fiscal year. A Statement of Net Position is a point-in-time financial statement. Its purpose is to present to the readers of the financial statements the current financial condition of CRDF. Assets and liabilities are generally measured using current values. The net position is one indicator of the current financial condition of CRDF, while the changes in net position is an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

YEAR ENDED JUNE 30, 2019

The following table presents CRDF's condensed statements of net position as of June 30, 2019, 2018 and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Cash and investments	\$4,023,515	\$4,101,969	\$4,420,489
Receivables	<u>20,000</u>	<u>200,438</u>	<u>1,438,487</u>
Total assets	<u>\$4,043,515</u>	<u>\$4,302,407</u>	<u>\$5,858,976</u>
Liabilities			
Payables	<u>\$ 138,463</u>	<u>\$ 71,725</u>	<u>\$1,124,975</u>
Net Position			
Restricted net assets	<u>\$3,905,052</u>	<u>\$4,230,682</u>	<u>\$4,734,001</u>

The reduction in payables/receivables in 2019 and 2018 is due to improvements in timing of paperwork from researchers. Repayments to researchers cannot be completed until they have submitted all required reports.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Organization's revenue and expense activity, categorized as operating and nonoperating. Operating revenues consist of federal and state grants and refunds of overpayments on research contracts. Nonoperating revenues consist of contributions, investment earnings, and other miscellaneous revenues.

The following summarizes the Organization's activity for the fiscal years ended June 30, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 9,859,637	\$ 11,558,902	\$ 10,850,672
Operating expenses	<u>(10,298,201)</u>	<u>(13,070,295)</u>	<u>(11,772,313)</u>
Operating loss	(438,564)	(1,511,393)	(921,641)
Nonoperating revenues	<u>112,934</u>	<u>1,008,075</u>	<u>609,174</u>
Decrease in net position	<u>\$ (325,630)</u>	<u>\$ (503,318)</u>	<u>\$ (312,467)</u>

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

YEAR ENDED JUNE 30, 2019

Statement of Functional Expenses

The statement of functional expenses presents the Organization's expenses by both functional classification, such as research and supporting services and also by natural classification, such as salaries and other specific expense descriptions.

The following summarizes the Organizations functional expenses for the fiscal years ended June 30, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Research activities	\$ 9,337,344	\$ 11,915,579	\$ 10,492,131
Supporting services	<u>960,857</u>	<u>1,154,716</u>	<u>1,280,182</u>
Total expenses	<u>\$ 10,298,201</u>	<u>\$ 13,070,295</u>	<u>\$ 11,772,313</u>

Statement of Cash Flows

The statement of cash flows provide information about the Organization's financial results by reporting the major sources and uses of cash. This information will assist in evaluating the organization's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash provided (used in) the operating activities of the Organization. Cash flows from investing activities include the cash provided by and cash used in the sale or purchase of investments.

The following summarizes the Organization's cash flows for the fiscal years ended June 30, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from:			
Operating activities	\$ (143,987)	\$ (352,413)	\$ 68,699
Investing activities	<u>(60,238)</u>	<u>(47,813)</u>	<u>(874)</u>
Net increase (decrease) in cash	(204,225)	(400,244)	67,825
Cash beginning of year	<u>1,348,843</u>	<u>1,749,087</u>	<u>1,681,262</u>
Cash end of year	<u>\$ 1,144,618</u>	<u>\$ 1,348,843</u>	<u>\$ 1,749,087</u>

Economic Outlook

During the year ended June 30, 2019, the Organization received no funding from federal sources as had been the case in prior years. Greatly increased state funding as well as significant private donations largely offset the loss of federal funding; however, state funding is dependent on legislative actions which are never certain. The critical importance of containing the spread of huanglongbing (Citrus Greening) and developing resistant varieties makes the mission of CRDF important to the future of Florida citrus agriculture.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

YEAR ENDED JUNE 30, 2019

As noted earlier, CRDF is a direct support organization to the University of Florida. CRDF also benefits from administrative assistance from the University as well as no-cost occupancy in the Citrus Research and Education Center which is also owned and operated by the University of Florida. The University has been a significant recipient of research grant funding from CRDF, which is to be expected since CRDF is a direct support organization of the University of Florida and the University of Florida is the state's primary land grant university. Nevertheless, if CRDF's status as a direct support organization for the University were to end, significant costs could be incurred in relocating CRDF's offices. However, this is not expected. In fact, CRDF and the University are in the process of executing a memorandum of understanding which spells out in writing what has been the verbal understanding of the parties since 2009.

Contacting the Organization's Financial Management

If you have any questions or need additional information, contact the Organization's management at:

Citrus Research and Development Foundation, Inc.
700 Experiment Station Road
Lake Alfred, FL 33850

Tel: (863) 956-5894

Or visit the website: www.citrusrdf.org

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>2019</u>
<u>ASSETS</u>	
Cash	\$ 1,144,618
Funds deposited in State spending account	96,772
Investments	2,782,125
Contract payments receivable	<u>20,000</u>
Total assets	<u>\$ 4,043,515</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>Liabilities</u>	
Accounts payable	<u>\$ 138,463</u>
Total liabilities	<u>138,463</u>
<u>Net Assets</u>	
Net assets without grantor restrictions	443,394
Net asset restricted by grantor as to purpose	<u>3,461,658</u>
Total net assets	<u>3,905,052</u>
Total liabilities and net assets	<u>\$ 4,043,515</u>

See notes to accompanying financial statements.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2019

	<u>2019</u>
<u>Support and Revenue</u>	
Research contract funding:	
Special State Legislature Appropriation	\$ 4,000,000
Florida Department of Agriculture and Consumer Services	4,853,976
Other operating revenues	1,000,000
Refund of overpayments on research contracts	5,661
Contributions	20,000
Interest	29,401
Investment earnings	63,533
	<hr/>
Total revenue and support	9,972,571
	<hr/>
<u>Expenses and Supporting Services</u>	
Research project contracts	2,129,754
Research delivery contracts	7,207,590
Administrative support	960,857
	<hr/>
Total expenses and supporting services	10,298,201
	<hr/>
Decrease in net assets	(325,630)
	<hr/>
Net assets, beginning of year, as previously reported	4,199,654
Restatement (Note H)	31,028
	<hr/>
Net assets, beginning of year, restated	4,230,682
	<hr/>
Net assets - end of year	<u>\$ 3,905,052</u>

See notes to accompanying financial statements.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Research Contracts	Supporting Services	Total
Research projects	\$ 2,129,754	\$ -	\$ 2,129,754
Research delivery	7,207,590	-	7,207,590
Salaries and benefits	-	580,986	580,986
Communications and newsletter	-	121,364	121,364
Research and delivery operations	-	82,031	82,031
Technical review	-	47,560	47,560
Travel costs	-	38,694	38,694
Consultants and professional fees	-	37,813	37,813
Industry sponsorship	-	29,852	29,852
Office expenses	-	11,349	11,349
Meetings and workshops	-	7,127	7,127
Financial services fees	-	3,514	3,514
Software	-	567	567
Total functional expenses	<u>\$ 9,337,344</u>	<u>\$ 960,857</u>	<u>\$ 10,298,201</u>

See accompanying notes to financial statements.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	<u>2019</u>
<u>Operating Activities</u>	
Decrease in net assets	\$ (325,630)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:	
State spending account	(65,534)
Contract payments receivable	180,439
Reinvestment of investment earnings	
Increase (decrease) in:	(60,238)
Accounts payable	<u>66,738</u>
Net cash used by operating activities	<u>(204,225)</u>
Net decrease in cash	(204,225)
Cash, beginning of year	<u>1,348,843</u>
Cash, end of year	<u>\$ 1,144,618</u>

See notes to accompanying financial statements.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Note A - Summary of Significant Accounting Policies

Organizational Activities

The Citrus Research and Development Foundation, Inc. (the Foundation) is a Florida nonprofit organization which has been certified as a direct support organization of the University of Florida by its Board of Trustees. The Foundation was incorporated April 23, 2009.

The Foundation supports research in citrus propagation, citrus disease prevention and treatment, and economic development within the Florida citrus industry. The Foundation coordinates and monitors research projects funded by the Florida Department of Agriculture and Consumer Services (FDACS), and other organizations.

Use of 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor or Grantor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor or Grantor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor or grantor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other donor or grantor-imposed restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. Donor or grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

For the year ended June 30, 2019, \$3,461,658 of net assets were subject to restrictions imposed by grantor agencies or donors. Those funds are designated for research contracts.

Contract Payments Receivable

Contract payments receivable are stated at their estimated net realizable value.

Investments

Investments are stated at estimated fair value. See Note F for fair value measurements.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2019

Note A - Summary of Significant Accounting Policies - Continued

Revenue Recognition

The Foundation recognizes grant revenue when all of the preconditions to receipt of the funds have been met. Contributions, including unconditional pledges to give, are recognized as revenue in the period received. Investment income is recognized when received or credited to the investment account.

Donated Goods and Services

The Foundation occupies office space at the University of Florida at no charge to the Foundation. Additionally, the Foundation receives donated services from officers and members of the Board of Directors who assist the Foundation in research and development programs. No amounts are recognized in the accompanying Statements of Activities because criteria for recognition has not been satisfied.

Tax Status and Positions

The Foundation is a corporation chartered under the Florida nonprofit corporation statutes. It is also recognized as a tax-exempt charity by the U.S. Department of Treasury under Internal Revenue Code section 501(c)(3).

Although nonprofit organizations pay no tax on their exempt function income, they can be liable for taxes on income earned from activities not related to their exempt purpose. For the year ended June 30, 2019, management believes the Foundation engaged in no activities that were not related to their exempt purpose.

Management has evaluated its tax positions taken for all open tax years. Currently, the 2016 - 2018 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 provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2019.

Reclassifications

Certain reclassifications of amounts previously have been made to the accompanying financial statements. The reclassifications had no material impact on previously reported net assets.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2019

Note A - Summary of Significant Accounting Policies - Continued

Date of Management Review

Subsequent events were evaluated through October 30, 2019, which is the date the financial statements were available to be issued.

Note B - Liquidity and Availability

Financial assets available at June 30, 2019 for general expenditure, that is, without donor or other restrictions limiting use, within one year of the balance sheet date, comprise the following:

Cash	\$ 346,622
Funds deposited joint UF-CRDF account	<u>96,772</u>
	<u>\$ 443,394</u>

Note C - Research Contract Funding

During the year ended June 30, 2019, the Foundation received contract funding from the following sources:

<u>Funding Agency</u>	<u>Contract Funds Year Ended 2019</u>	<u>Purpose</u>
Florida Dept. of Agriculture and Consumer Services (FDACS)	\$ 4,303,976	Research projects
Florida Dept. of Agriculture and Consumer Services (FDACS)	550,000	Administrative costs
FDACS - Special State Legislature Appropriation	3,472,624	Research projects
FDACS - Special State Legislature Appropriation	<u>527,376</u>	Administrative costs
Total contract funding	<u>\$ 8,853,976</u>	

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2019

Note D - Related Parties

The Board of Directors of the Foundation includes several individuals appointed or employed by the Florida Department of Agriculture and Consumer Services, the Florida Department of Citrus, Florida Citrus Mutual, and the University of Florida. Board Members are appointed to the Foundation as follows:

5 by Florida Department of Citrus
5 by Florida Citrus Mutual
1 by FDACS
2 by University of Florida

The Florida Department of Agriculture and Consumer Services are the primary providers of funding to the Foundation for its research projects. The University of Florida provides administrative support, legal services, development activities and office space, and the University researchers and extension personnel conduct research and educational activities under contract to the Foundation.

Note E - Investments

At June 30, 2019, the Foundation's investments are held within the Florida State Special Purpose Investment Account (SPIA), known as the Treasury Investment Pool. The Treasury Investment Pool holds a collection of securities, which are primarily government obligations.

The Florida Division of Treasury considers the following to be required disclosures:

Credit Risk Disclosure - The Treasury Investment Pool is rated by Standard and Poors. The current rating is A+f.

Interest Rate Risk Disclosure - The effective rate of the Treasury Investment Pool at June 30, 2019 was 1.01%. The effective duration of the Florida Treasury Investment Pool as of June 30, 2019, was 2.71 years.

Securities Lending Disclosure - Since the Foundation owns a share of the Treasury Investment Pool and not the underlying securities, the securities lending disclosure can be found in Note 2 of the State of Florida Comprehensive Annual Financial Report (CAFR).

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED JUNE 30, 2019

Note E - Investments - Continued

Investment activity during the year ended June 30, 2019, was as follows:

	<u>2019</u>
Investments, beginning of year	\$ 2,721,887
Investment earnings excluding unrealized gains/losses	63,533
Investment fees	<u>(3,295)</u>
Investments, end of year	<u>\$ 2,782,125</u>

Note F - Fair Value Measurements

The Foundation's investments are stated at fair value based on the following hierarchy of fair value measurement inputs:

- Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not actively traded, dealer quotations, or valuations provided by alternative pricing sources supported by observable inputs.

At June 30, 2019, the Foundation's investments are categorized as follows:

	<u>Fair Value</u>	<u>Level 2</u>
Treasury Investment Pool	<u>\$ 2,782,125</u>	<u>\$ 2,782,125</u>

Note G - Concentration of Credit Risk

The carrying amount of the Foundation's cash deposits are \$1,144,618 for the year ended June 30, 2019. The bank balances were \$1,174,045 at June 30, 2019. Deposits are placed in banks that qualify as public depositories pursuant to the provisions of Chapter 280, Florida Statutes. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

Note H - Restatement

Net assets at the beginning of the year have been restated to reflect a correction in the amount of \$31,028 to reflect the nonrecognition of unrealized gains/losses in the investment portfolio. These unrealized gains/losses had been reflected in the previously issued financial statements.

Bunting, Tripp & Ingley, LLP

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A Tradition of Excellence Since 1926



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ALSO WITH OFFICES IN
TAMPA, FLORIDA

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
Citrus Research and Development Foundation, Inc.
Lake Alfred, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Citrus Research and Development Foundation, Inc. (a nonprofit organization), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Citrus Research and Development Foundation Inc.'s (the Foundation) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

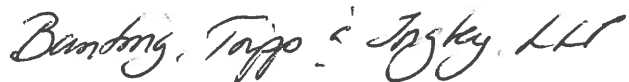
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brandon Toppo & Toppo, LLC". The signature is written in a cursive, flowing style.

Lake Wales, Florida
October 30, 2019

Bunting, Tripp & Ingley, LLP

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A Tradition of Excellence Since 1926



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TAMPA, FLORIDA

Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by 10.650, Rules of the Auditor General

The Board of Directors
Citrus Research and Development Foundation, Inc.
Lake Alfred, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Citrus Research and Development Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Foundation's major State projects for the year ended June 30, 2019. The Foundation's major State projects are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs and State Projects.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major State project. However, our audits do not provide a legal determination of the Foundation's compliance.

Opinion on Each Major State Project

In our opinion, Citrus Research and Development Foundation, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major and State projects for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with the Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Lake Wales, Florida
October 30, 2019

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF STATE PROJECTS

YEAR ENDED JUNE 30, 2019

<u>State Agency/Pass-through Entity</u>	<u>CSFA No.</u>	<u>Contract No.</u>	<u>State Expenditures</u>
Florida Department of Agriculture and Consumer Services:	42.023	24352	\$ 4,761,435
Research contracts	42.023	25356	<u>4,000,000</u>
Total expenditures of state financial assistance			<u>\$ 8,761,435</u>

See accompanying notes to schedule of expenditures
of State projects.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE PROJECTS

YEAR ENDED JUNE 30, 2019

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of State projects (the Schedule) includes the State grant activity of Citrus Research and Development Foundation, Inc. The schedule is prepared on the accrual basis of accounting. Expenditures are recognized when paid. The amounts presented include required matching amounts, where applicable. The information in this schedule is presented in accordance with the requirements of the Florida Single Audit Act. Because the schedule presents only a selected portion of the activities of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation in accordance with accounting principles generally accepted in the United States of America.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Florida Single Audit Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND STATE PROJECTS

YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified opinion

Internal control over financial reporting:

• Material weakness identified?

_____ Yes X No

• Significant deficiency identified?

_____ Yes X No

Noncompliance material to financial statements noted?

_____ Yes X No

Florida Awards

Internal control over major state programs:

• Material weakness identified?

_____ Yes X No

• Significant deficiency identified?

_____ Yes X No

Type of auditor's report issued on compliance
for major state programs:

Unqualified opinion

Any audit findings disclosed that are required to be reported
in the management letter pursuant to
Section 10.654(1)(e), Rules of the Auditor General?

_____ Yes X No

Identification of major programs:

State Agency:

Florida Department of Agriculture and Consumer Services:
Agricultural research

CSFA No. 42.023
Agreements 024352, 025356

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 500,000

“Summary Schedule of Prior Audit Findings and Questioned
Costs - State Projects” attached? (No prior audit findings
or questioned costs.)

_____ Yes X No

“Corrective Action Plan” attached? (No findings required
to be reported under the Florida Single Audit Act.)

_____ Yes X No

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE PROJECTS - CONTINUED

YEAR ENDED JUNE 30, 2019

Section II - Financial Statement Findings

No matters were reported.

Section III - State Projects Findings and Questioned Costs

No matters were reported.

