

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

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTAL INFORMATION**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**CITRUS RESEARCH AND DEVELOPMENT  
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# Bunting, Tripp & Ingley, LLP

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## Independent Auditor's Report

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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

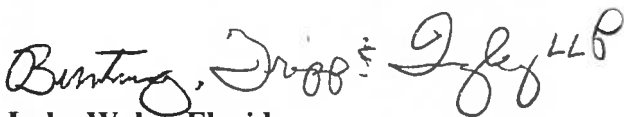
## Other Matters

### *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 Federal Programs and State Projects, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and 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 August 25, 2016, 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  
August 25, 2016

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash	\$ 1,681,262	\$ 880,709
Funds deposited in state spending account	31,713	13,621
Investments	2,676,421	1,705,156
Contract payments receivable	<u>1,775,467</u>	<u>1,091,143</u>
<b>Total assets</b>	<b><u>\$ 6,164,863</u></b>	<b><u>\$ 3,690,629</u></b>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 1,099,428	\$ 1,763,800
Unexpended contract funds	<u>-</u>	<u>83,016</u>
<b>Total liabilities</b>	<b><u>1,099,428</u></b>	<b><u>1,846,816</u></b>

Net Assets

Temporarily restricted net assets	<u>5,065,435</u>	<u>1,843,813</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 6,164,863</u></b>	<b><u>\$ 3,690,629</u></b>

The accompanying notes to financial statements should be read in conjunction with this statement.

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

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Revenue and Support</u></b>		
<b>Research contract funding:</b>		
<b>Special State Legislature Appropriation</b>	<b>\$ 8,000,000</b>	<b>\$ 3,500,000</b>
<b>Florida Department of Agriculture</b>		
<b>and Consumer Services</b>	<b>2,744,810</b>	<b>3,378,156</b>
<b>Florida Department of Citrus</b>	<b>-</b>	<b>2,527,541</b>
<b>U.S. Department of Agriculture</b>	<b>3,024,355</b>	<b>2,597,317</b>
<b>California Research Board</b>	<b>26,330</b>	<b>270,537</b>
<b>Refund of overpayments on research contracts</b>	<b>814,186</b>	<b>-</b>
<b>Contributions</b>	<b>570,000</b>	<b>60,000</b>
<b>Investment earnings</b>	<b>58,620</b>	<b>23,932</b>
	<u>15,238,301</u>	<u>12,357,483</u>
<b>Total revenue and support</b>		
	<u>15,238,301</u>	<u>12,357,483</u>
<b><u>Expenses and Supporting Services</u></b>		
<b>Research project contracts</b>	<b>7,325,376</b>	<b>7,929,605</b>
<b>Research delivery contracts</b>	<b>3,621,053</b>	<b>3,555,668</b>
<b>Administrative support</b>	<b>1,070,250</b>	<b>1,042,937</b>
	<u>12,016,679</u>	<u>12,528,210</u>
<b>Total expenses and supporting services</b>		
	<u>12,016,679</u>	<u>12,528,210</u>
<b>Increase (decrease) in net assets</b>	<b>3,221,622</b>	<b>(170,727)</b>
<b>Net assets - beginning of year</b>	<b>1,843,813</b>	<b>2,014,540</b>
	<u>1,843,813</u>	<u>2,014,540</u>
<b>Net assets - end of year</b>	<b>\$ 5,065,435</b>	<b>\$ 1,843,813</b>
	<u>\$ 5,065,435</u>	<u>\$ 1,843,813</u>

**The accompanying notes to financial statements should be read in conjunction with this statement.**

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Operating Activities</u></b>		
<b>Increase (decrease) in net assets</b>	<b>\$ 3,221,622</b>	<b>\$ (170,727)</b>
<b>Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:</b>		
<b>Unrealized (gain) loss on investments</b>	<b>(37,733)</b>	<b>3,567</b>
<b>(Increase) decrease in:</b>		
<b>State spending account</b>	<b>(18,092)</b>	<b>22,240</b>
<b>Accounts receivable</b>	<b>-</b>	<b>487,500</b>
<b>Contract payments receivable</b>	<b>(684,324)</b>	<b>749,507</b>
<b>Increase (decrease) in:</b>		
<b>Unexpended contract funds</b>	<b>(83,016)</b>	<b>(1,159,212)</b>
<b>Accounts payable</b>	<b>(664,372)</b>	<b>(2,676,882)</b>
	<u>1,734,085</u>	<u>(2,744,007)</u>
<b><u>Investing Activities</u></b>		
<b>Proceeds from sale of investments</b>	<b>662,794</b>	<b>2,483,113</b>
<b>Purchase of investments</b>	<b>(1,596,326)</b>	<b>(51,493)</b>
	<u>(933,532)</u>	<u>2,431,620</u>
<b>Net cash provided by (used by) investing activities</b>		
	<u>800,553</u>	<u>(312,387)</u>
<b>Net increase (decrease) in cash</b>		
<b>Cash, beginning of year</b>	<b>880,709</b>	<b>1,193,096</b>
<b>Cash, end of year</b>	<b>\$ <u>1,681,262</u></b>	<b>\$ <u>880,709</u></b>

**The accompanying notes to financial statements should be read in conjunction with this statement.**

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**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 Citrus (FDOC), the Florida Department of Agriculture and Consumer Services (FDACS), and other entities.

**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 as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed restrictions.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

For the years ended June 30, 2016 and 2015, all of the Foundation's net assets were considered temporarily restricted.

**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.



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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note A - Summary of Significant Accounting Policies - Continued**

**Contract Payments Receivable**

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

**Investments**

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

**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 years ended June 30, 2015 and 2014, 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 2013 - 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 provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2016 and 2015.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note A - Summary of Significant Accounting Policies - Continued**

**Date of Management Review**

Subsequent events were evaluated through August 25, 2016, which is the date the financial statements were available to be issued.

**Note B - Research Contract Funding**

During the years ended June 30, 2016 and 2015, the Foundation received contract funding from the following sources:

<u>Funding Agency</u>	<u>Contract Funds Received</u>		<u>Purpose</u>
	<u>2016</u>	<u>2015</u>	
Florida Dept. of Agriculture and Consumer Services	\$ 2,194,810	\$ 3,378,156	Research projects
Florida Dept. of Agriculture and Consumer Services	550,000	-	Administrative costs
Special State Legislature Appropriation	7,271,080	3,500,000	Research projects
Special State Legislature Appropriation	728,920	-	Administrative costs
Florida Dept. of Citrus	-	2,527,541	Research projects
U.S. Dept. of Agriculture	3,024,355	2,597,317	Research projects
California Research Board	<u>26,330</u>	<u>270,537</u>	Research projects
<b>Total grant funding</b>	<b><u>\$ 13,795,495</u></b>	<b><u>\$ 12,273,551</u></b>	

**Note C - Unexpended Contract Funds**

Unexpended contract funds consist of payments from funding agencies or donors that have not yet been committed to proposed or ongoing research projects. As of June 30, 2016 and 2015, these unexpended contract funds were from the following funding sources:

	<u>Year Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Florida Department of Agriculture and Consumer Services	\$ -	\$ 83,016
Donations from industry	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ 83,016</u></b>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**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 Citrus and Florida Department of Agriculture and Consumer Services provide 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. Further, one of the Foundation's officers/directors is President of Cutrale Citrus Juices USA, Inc. This company has made significant donations to the Foundation in prior years.

**Note E - Investments**

At June 30, 2016 and 2015, investments consist of a Florida State Special Purpose Investment Account (SPIA), known as the Treasury Investment Pool, and investments managed by the University of Florida Investment Corporation (UFICO). The Treasury Investment Pool invests in a collection of securities, primarily government obligations. UFICO also invests primarily in Florida debt securities. The UFICO account was closed in the current year. 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+/A1 or better

**Interest Rate Risk Disclosure** - The effective duration of the Treasury Investment Pool at June 30, 2016 and 2015 is 1.01% and .99%, respectively.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2016 AND 2015

Note E - Investments - Continued

**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).

Investment activity during the years ended June 30, 2016 and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
Investments, beginning of year	\$ 1,705,156	\$ 4,140,343
Purchases (withdrawals) - net	911,185	(2,459,120)
Investment earnings including unrealized gain (loss)	<u>60,080</u>	<u>23,933</u>
Investments, end of year	<u>\$ 2,676,421</u>	<u>\$ 1,705,156</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 1** Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.
- 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.
- Level 3** Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

At June 30, 2016, the Foundation's investments are categorized as follows:

	<u>Fair Value</u>	<u>Level 2</u>
Treasury Investment Pool	<u>\$ 2,676,421</u>	<u>\$ 2,676,421</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**YEARS ENDED JUNE 30, 2016 AND 2015**

**Note F - Fair Value Measurements - Continued**

At June 30, 2015, the Foundation's investments are categorized as follows:

	<u>Fair Value</u>	<u>Level 2</u>
Florida Treasury Investment Pool	\$ 1,124,790	\$ 1,124,790
UFICO portfolio	<u>580,366</u>	<u>580,366</u>
Total	<u>\$ 1,705,156</u>	<u>\$ 1,705,156</u>

**Note G - Concentration of Credit Risk**

The carrying amount of the Foundation's deposits was \$1,681,262 for the year ended June 30, 2016. The bank balances were \$1,811,743 at June 30, 2016. 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.

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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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2016.

**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.

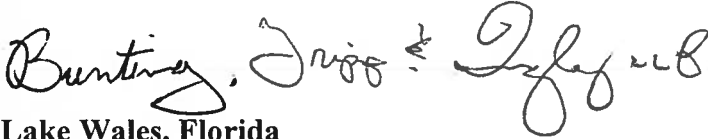
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 cursive script that reads "Brentley J. Briggs".

Lake Wales, Florida  
August 25, 2016

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**Independent Auditor's Report on Compliance for Each Major Federal  
Program and State Project and on Internal Control over Compliance  
Required by The Uniform Guidance and Chapter  
10.650, Rules of the Auditor General**

ALSO WITH OFFICES IN  
TAMPA, FLORIDA

**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 in the *OMB Compliance Supplement* and the 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 Federal programs and State projects for the years ended June 30, 2016 and 2015. The Foundation's major Federal programs and State projects are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Foundation's major Federal programs and 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; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, 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 Federal program or 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 Federal program and State project. However, our audits do not provide a legal determination of the Foundation's compliance.

### Opinion on Each Major Federal Program and 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 Federal programs and State projects for the years ended June 30, 2016 and 2015.

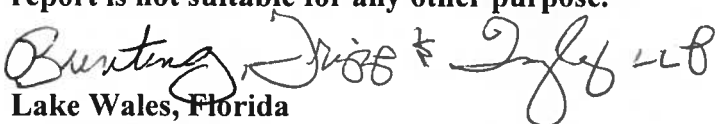
### Report on Internal Control over Compliance

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 Federal program and 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 Federal program and State projects and to test and report on internal control over compliance in accordance with the Uniform Guidance and 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 Federal program or 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 Federal program or 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 Federal program or 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 the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

 Bunting  
Lake Wales, Florida

August 25, 2016

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

**SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS AND  
STATE PROJECTS**

**YEAR ENDED JUNE 30, 2016**

<b><u>Federal Grantor - U.S. Department of Agriculture:</u></b>	<b><u>Federal CFDA No.</u></b>	<b><u>Federal Expenditures</u></b>
NIFA Contract Agreement 2012-51181-20086	10.309	\$ 1,448,427
APHIS Contract Agreement 14-8130-0372-CA	10.025	124,582
APHIS Contract Agreement 14-8130-0465-CA	10.025	1,043,154
APHIS Contract Agreement 15-8130-0506-CA	10.025	<u>50,490</u>
<b>Total expenditures of federal awards</b>		<b><u>\$ 2,666,653</u></b>

<b><u>State Agency/Pass-through Entity</u></b>	<b><u>CSFA No.</u></b>	<b><u>Contract No.</u></b>	<b><u>State Expenditures</u></b>
<b>Florida Department of Agriculture and Consumer Services:</b>			
<b>Research contracts</b>	42.023	022415	\$ 2,374,912
	42.023	021092	6,249,162
<b>Florida Department of Citrus:</b>			
<b>Research contracts</b>	*	14-08	<u>147,946</u>
<b>Total expenditures of state financial assistance</b>			<b><u>\$ 8,772,020</u></b>

\* No CSFA number assigned.

The accompanying notes to schedule of expenditures of Federal programs and State projects should be read in conjunction with this schedule.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS  
AND STATE PROJECTS**

**YEAR ENDED JUNE 30, 2016**

**Note A - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Programs and State projects (the Schedule) includes the Federal and 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 Title 2 *Us Code of Federal Regulations for Federal Awards* (Uniform Guidance) and 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 Uniform Guidance, 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  
FEDERAL PROGRAMS AND STATE PROJECTS

YEAR ENDED JUNE 30, 2016

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  None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes  X  No

Federal and Florida Awards

Internal control over major federal and state programs:

• Material weakness identified?

\_\_\_\_\_ Yes  X  No

• Significant deficiency identified?

\_\_\_\_\_ Yes  X  None reported

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

Unqualified opinion

Any audit findings disclosed that are required to be reported  
in the management letter pursuant to OMB Circular A-133  
or Section 10.654(1)(e), Rules of the Auditor General?

\_\_\_\_\_ Yes  X  No

Identification of major programs:

Federal Agency

U.S. Department of Agriculture:

Agricultural research

CFDA No. 10.309

Agreement 2012-51181-20086

Agricultural research

CFDA No. 10.025

Agreements 14-8130-0372,0465,0506

State Agency:

Florida Department of Agriculture and Consumer Services:

Agricultural research

CSFA No. 42.023

Florida Department of Citrus

Contract No. 14-08

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

\$ 300,000

“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**  
**FEDERAL PROGRAMS AND STATE PROJECTS - CONTINUED**

**YEAR ENDED JUNE 30, 2016**

**Section II - Financial Statement Findings**

**No matters were reported.**

**Section III - State Projects Findings and Questioned Costs**

**No matters were reported.**

**SUPPLEMENTAL INFORMATION**

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

**SUPPLEMENTAL SCHEDULES OF ADMINISTRATIVE SUPPORT**

**YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Salaries and benefits</b>	<b>\$ 414,590</b>	<b>\$ 401,080</b>
<b>Research and delivery operations</b>	<b>352,009</b>	<b>263,685</b>
<b>Industry sponsorship</b>	<b>20,000</b>	<b>120,000</b>
<b>Consultants and professional fees</b>	<b>100,000</b>	<b>90,750</b>
<b>Communications and newsletter</b>	<b>98,692</b>	<b>76,784</b>
<b>Travel</b>	<b>42,906</b>	<b>50,817</b>
<b>Technical review</b>	<b>8,611</b>	<b>6,274</b>
<b>Financial services fees</b>	<b>14,148</b>	<b>14,801</b>
<b>Office expense</b>	<b>8,171</b>	<b>5,357</b>
<b>Meetings/workshops</b>	<b>10,587</b>	<b>12,782</b>
<b>Equipment/software</b>	<b><u>536</u></b>	<b><u>607</u></b>
<b>Total administrative support</b>	<b><u>\$ 1,070,250</u></b>	<b><u>\$ 1,042,937</u></b>