

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

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2014 AND 2013

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FOUNDATION, INC.**

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Bunting, Tripp & Ingley, LLP

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Independent Auditor's Report

**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, 2014 and 2013, 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, 2014 and 2013, 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenditures of Federal Awards and Florida Financial Assistance Programs as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedules of Administrative Support are also presented for purposes of additional analysis and are 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 28, 2014, 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 28, 2014

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Cash		\$ 1,193,096	\$ 1,903,546
Funds deposited in state spending account		35,861	3,258
Accounts receivable		487,500	-
Investments		4,140,343	4,126,032
Contract payments receivable		<u>1,840,650</u>	<u>295,695</u>
Total assets		<u>\$ 7,697,450</u>	<u>\$ 6,328,531</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>			
Accounts payable		\$ 4,440,682	\$ 3,318,074
Unexpended contract funds		<u>1,242,228</u>	<u>2,671,375</u>
Total liabilities		<u>5,682,910</u>	<u>5,989,449</u>
<u>Net Assets</u>			
Unrestricted net assets		<u>2,014,540</u>	<u>339,082</u>
Total liabilities and net assets		<u>\$ 7,697,450</u>	<u>\$ 6,328,531</u>

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Revenue and Support</u>		
Research contract funding:		
Special State Legislature Appropriation	\$ 7,668,302	\$ 2,000,000
Florida Department of Agriculture and Consumer Services	5,183,672	4,164,498
Florida Department of Citrus	2,525,475	4,626,907
U.S. Department of Agriculture	1,492,071	377,066
California Research Board	284,015	52,447
Donations	500,000	-
Investment earnings	<u>52,921</u>	<u>9,860</u>
 Total revenue and support	 <u>17,706,456</u>	 <u>11,230,778</u>
 <u>Expenses and Supporting Services</u>		
Research project contracts	11,984,185	11,421,024
Research delivery contracts	3,121,931	1,092,198
Administrative support	<u>924,882</u>	<u>993,551</u>
 Total expenses and supporting services	 <u>16,030,998</u>	 <u>13,506,773</u>
 Increase (decrease) in net assets	 1,675,458	 (2,275,995)
 Net assets - beginning of year	 <u>339,082</u>	 <u>2,615,077</u>
 Net assets - end of year	 <u>\$ 2,014,540</u>	 <u>\$ 339,082</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Activities</u>		
Increase (decrease) in net assets	<u>\$ 1,675,458</u>	<u>\$ (2,275,995)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Reinvested earnings in bank account	(37,055)	(26,058)
Unrealized (gain) loss on investments	(15,866)	38,197
(Increase) decrease in:		
State spending account	(32,603)	2,781
Accounts receivable	(487,500)	2,681,393
Contract payments receivable	(1,544,955)	681,587
Accrued investment earnings	-	252
Increase (decrease) in:		
Unexpended contract funds	(1,429,147)	(1,121,604)
Accounts payable	<u>1,122,608</u>	<u>217,086</u>
 Total adjustments	 <u>(2,424,518)</u>	 <u>2,473,634</u>
 Net cash provided (used) by operating activities	 <u>(749,060)</u>	 <u>197,639</u>
 <u>Investing Activities</u>		
Proceeds from sale of investments	400,000	-
Purchase of investments plus reinvested earnings	<u>(361,390)</u>	<u>(3,015,705)</u>
 Net cash provided (used) by investing activities	 <u>38,610</u>	 <u>(3,015,705)</u>
 Net decrease in cash	 (710,450)	 (2,818,066)
 Cash, beginning of year	 <u>1,903,546</u>	 <u>4,721,612</u>
 Cash, end of year	 <u>\$ 1,193,096</u>	 <u>\$ 1,903,546</u>

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, 2014 AND 2013

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, 2014 and 2013, the Foundation had no temporarily or permanently restricted net assets.

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, 2014 AND 2013

Note A - Summary of Significant Accounting Policies - Continued

Receivables

Accounts receivable and contract payments receivable are stated at their estimated net realizable value.

Investments

Investments are stated at estimated fair value. See Note G 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, 2014 and 2013, 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 2010 - 2013 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, 2014 and 2013.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

Note A - Summary of Significant Accounting Policies - Continued

Reclassifications

Certain amounts in the June 30, 2013, financial statements have been reclassified to conform to the June 30, 2014, presentation. These reclassifications affect the classification of unexpended contract funds and accounts payable. No change in net assets as previously reported for June 30, 2013, results from this reclassification.

Date of Management Review

Subsequent events were evaluated through October 28, 2014, which is the date the financial statements were available to be issued.

Note B - Research Contract Funding

During the years ended June 30, 2014 and 2013, the Foundation received contract funding from the following sources:

<u>Funding Agency</u>	<u>Contract Funds Received</u>		<u>Purpose</u>
	<u>6/30/14</u>	<u>6/30/13</u>	
Florida Dept. of Agriculture and Consumer Services	\$ 4,344,172	\$ 3,659,985	Research projects
Florida Dept. of Agriculture and Consumer Services	839,500	504,513	Operational
Special State Appropriation	7,668,302	2,000,000	Research projects
Florida Dept. of Citrus	2,525,475	4,201,907	Research projects
Florida Dept. of Citrus	-	425,000	Operational
U.S. Dept. of Agriculture	1,492,071	377,066	Research projects
California Research Board	<u>284,015</u>	<u>52,447</u>	Research projects
Total grant funding	<u>\$ 17,153,535</u>	<u>\$ 11,220,918</u>	

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014 and 2013, these unexpended contract funds were from the following funding sources:

	<u>6/30/14</u>	<u>6/30/13</u>
Florida Department of Agriculture and Consumer Services	\$ 665,796	\$ 2,499,652
Florida Department of Citrus	-	(550,249)
U.S. Department of Agriculture	-	74,004
Donations from industry	<u>576,432</u>	<u>647,968</u>
Total	<u>\$ 1,242,228</u>	<u>\$ 2,671,375</u>

There was no liability from unexpended grants funds from the California Research Board because those funds are only received after contract commitments have been made.

Note D - Pledges Receivable

In December 2013 the Foundation received a pledge from the Coca-Cola Company of \$1,500,000. A payment of \$500,000 was made in January 2014 to the University of Florida Foundation who is holding these funds. The remaining \$1,000,000 has not been recognized because the payment is solely at the donor's discretion and is based on reports and results of research and, therefore, the criteria for recognition is not met under generally accepted accounting principles.

Note E - 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

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

Note E - Related Parties - Continued

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 F - Investments

At June 30, 2014 and 2013, 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 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 duration of the Treasury Investment Pool at June 30, 2014 and 2013 is 0.99 and 1.00, respectively.

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, 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Investments, beginning of year	\$ 4,126,032	\$ 1,122,718
Purchases (withdraws) - net	(38,610)	2,993,454
Investment earnings	<u>52,921</u>	<u>9,860</u>
Investments, end of year	<u>\$ 4,140,343</u>	<u>\$ 4,126,032</u>

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2014 AND 2013

Note G - 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, 2014, the Foundation's investments are categorized as follows:

	<u>Fair Value</u>	<u>Level 2</u>
Florida Treasury Investment Pool	\$ 1,114,802	\$ 1,114,802
UFICO portfolio	<u>3,025,541</u>	<u>3,025,541</u>
Total	<u>\$ 4,140,343</u>	<u>\$ 4,140,343</u>

At June 30, 2013, the Foundation's investments are categorized as follows:

	<u>Fair Value</u>	<u>Level 2</u>
Florida Treasury Investment Pool	\$ 1,129,535	\$ 1,129,535
UFICO portfolio	<u>2,996,497</u>	<u>2,996,497</u>
Total	<u>\$ 4,126,032</u>	<u>\$ 4,126,032</u>

Note H - Concentration of Credit Risk

The Foundation's bank accounts are classified as public deposits by the Florida Department of Financial Services. These accounts are secured by securities held by the depository bank and approved by the Department. Accordingly, credit risk associated with these deposits is low even though the balance in the accounts exceeds FDIC coverage limits.

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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, 2014 and 2013, 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 October 28, 2014.

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.

Lake Wales, Florida
October 28, 2014

Bunting, Tripp & Ingley, LLP

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the Florida 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 Financial Assistance Program

We have audited Citrus Research and Development Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major Federal programs and state financial assistance programs for the years ended June 30, 2014 and 2013. The Foundation's major Federal and state programs 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state financial assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs and state financial assistance programs 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Florida Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Florida 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 or state financial assistance program 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 financial assistance program. However, our audits do not provide a legal determination of the Foundation's compliance with those requirements.

Opinion on Each Major Federal Program and State Financial Assistance Program

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 and state programs for the years ended June 30, 2014 and 2013.

Report on Internal Control over Compliance

Management of Citrus Research and Development Foundation, Inc., 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 major Federal and State programs 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 financial assistance program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Florida 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 or state program 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 or state program 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 financial assistance program 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 OMB Circular A-133 and Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

Lake Wales, Florida
October 28, 2014

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

YEAR ENDED JUNE 30, 2014

<u>Federal Grantor - U.S. Department of Agriculture:</u>	<u>Federal CFDA No.</u>		<u>Federal Expenditures</u>
NIFA Contract Agreement 2012-51181-20086	10.309		<u>\$ 1,388,265</u>
<u>State Agency/Pass-through Entity</u>	<u>Florida CSFA No.</u>	<u>Contract No.</u>	<u>Florida Expenditures</u>
Florida Department of Agriculture and Consumer Services:			
Research contracts	42.023	020165	\$ 6,795,385
Operational support	42.023	020165	839,500
Florida Department of Citrus:			
Research contracts	*	13-10	<u>6,796,879</u>
Total expenditures of state financial assistance			<u>\$ 14,431,764</u>

* No CSFA number assigned.

The accompanying notes to schedule of expenditures of federal awards and state financial assistance should be read in conjunction with this schedule.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE - CONTINUED**

YEAR ENDED JUNE 30, 2013

<u>Federal Grantor - U.S. Department of Agriculture:</u>	<u>Federal CFDA No.</u>		<u>Federal Expenditures</u>
NIFA Contract Agreement 2012-51181-20086	10.309		\$ 377,066
<u>State Agency/Pass-through Entity</u>	<u>Florida CSFA No.</u>	<u>Contract No.</u>	<u>Florida Expenditures</u>
Florida Department of Agriculture and Consumer Services: Research contracts	42.023	017187	\$ 7,415,968
Florida Department of Citrus: Management fees and operational fees	*	12-08	425,000
Research contracts	*	12-08	<u>4,355,842</u>
Total expenditures of state financial assistance			<u>\$ 12,196,810</u>

* No CSFA number assigned.

The accompanying notes to schedule of expenditures
of federal awards and state financial assistance should
be read in conjunction with this schedule.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

YEARS ENDED JUNE 30, 2014 AND 2013

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and the State of Florida grant activity of Citrus Research and Development Foundation, Inc. The schedule is prepared on the cash 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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.

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

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?
- Significant deficiency identified?

___ Yes X No
___ 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?
- Significant deficiency identified?

___ Yes X No
___ 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

State Agency:

Florida Department of Agriculture and Consumer Services:
Agricultural research
Florida Department of Citrus

CSFA No. 42.023
Contract No. 13-10

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

\$ 300,000

“Summary Schedule of Prior Audit Findings and Questioned
Costs - State Financial Assistance” 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 - CONTINUED

YEAR ENDED JUNE 30, 2014

Section II - Financial Statement Findings

No matters were reported.

Section III - State Financial Assistance Findings and Questioned Costs

No matters were reported.

SUPPLEMENTAL INFORMATION

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION, INC.

SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE SUPPORT

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Salaries and benefits	\$ 323,544	\$ 301,051
Research and delivery operations	247,202	307,933
Consultants and professional fees	123,125	184,305
Communications and newsletter	103,345	94,072
Travel	63,294	60,676
Technical review	23,498	25,382
Financial services fees	15,736	7,091
Office expense	10,039	8,382
Meetings/workshops	9,718	2,194
Equipment/software	<u>5,381</u>	<u>2,465</u>
Total administrative support	<u>\$ 924,882</u>	<u>\$ 993,551</u>