

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022 AND 2021



CROCE, SANGUINETTI, & VANDER VEEN

INC.

CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Fund Net Position	16
Statements of Cash Flows	18
Notes to Financial Statements	19



CROCE, SANGUINETTI, & VANDER VEEN^{INC.}

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of **Lodi Winegrape Commission Crush District #11, Local Commission** (the Commission) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of **Lodi Winegrape Commission Crush District #11, Local Commission** as of June 30, 2022 and 2021 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Lodi Winegrape Commission Crush District #11, Local Commission**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note A to the financial statements, effective June 30, 2022, the Commission adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Lodi Winegrape Commission Crush District #11, Local Commission's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Lodi Winegrape Commission Crush District #11, Local Commission's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Lodi Winegrape Commission Crush District #11, Local Commission's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.

Certified Public Accountants

Stockton, California

November 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

June 30, 2022 and 2021

Our discussion and analysis of the Lodi Winegrape Commission Crush District #11, Local Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the financial statements, which begin on page 14.

Financial Highlights

- Total assets of the Commission were \$2,311,768 with capital assets at \$576,388, net of accumulated depreciation and amortization. Current assets for the year ended June 30, 2022 and 2021 were \$1,735,380 and \$1,420,541, respectively.
- Total liabilities were \$578,439, of which \$177,308 were considered current obligations.
- Assets of the Commission exceeded liabilities at the close of the most recent fiscal year by \$1,733,329 (net position). Of this amount, \$48,157 (unrestricted) may be used to meet the Commission's ongoing obligations and \$576,388 is net investment in capital assets.
- The Commission's net position increased by \$505,578 from \$1,227,751 in FY 2021 to \$1,733,329 in FY 2022.
- Total operating revenues for the FY 2022 were \$2,494,850, which is an increase of 33% from the prior year. This change primarily reflects increases in revenues from assessments charged to wine grape producers and increase in event income due to lesser COVID-19 restrictions on events.
- Total operating expenses for the FY 2022 were \$2,126,849. This figure is 9% higher than the prior year, due primarily to increases in marketing and promotion costs and event expenses.
- Operating income was \$368,001, an increase of \$443,334 from the prior year's loss of \$(75,333).
- Total non-operating revenues increased by \$136,401, due to the gain on debt extinguishment recognized in FY 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission is a corporate body (political subdivision) organized under the provisions of Division 22, Chapter 12.7, based upon favorable results of the referendum conducted during 1991 and every five years thereafter. The Commission is required to conduct the next referendum among the producers during 2026. The Commission follows proprietary fund reporting.

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

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

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

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

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

Notes to the Basic Financial Statements

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

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. As shown in Figure 1, the Commission's assets exceeded liabilities by \$1,733,329 on June 30, 2022, an increase of \$505,578 or 41% more than the Commission's net position at June 30, 2021.

Figure 1.

	Net Position		Change	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>2021 to 2022</u>	<u>%</u>
Current and other assets	\$ 1,735,380	\$ 1,420,541	\$ 314,839	22
Capital assets	<u>576,388</u>	<u>74,456</u>	<u>501,932</u>	674
Total assets	<u>2,311,768</u>	<u>1,494,997</u>	<u>816,771</u>	55
Current liabilities	177,308	267,246	(89,938)	(34)
Long-term liabilities	<u>401,131</u>	<u>-</u>	<u>401,131</u>	100
Total liabilities	<u>578,439</u>	<u>267,246</u>	<u>311,193</u>	116
Net investment in capital assets	576,388	74,456	501,932	674
Unrestricted - undesignated	681,257	677,999	3,258	1
Unrestricted - assigned to primary reserves	414,156	413,818	338	-
Unrestricted - assigned to special projects	<u>61,528</u>	<u>61,478</u>	<u>50</u>	-
Total net position, end of period	<u>\$ 1,733,329</u>	<u>\$ 1,227,751</u>	<u>\$ 505,578</u>	41

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

Change in Net Position

As shown in Figure 2, the Commission's operating and nonoperating activities increased net position by \$505,578 as compared to a \$74,157 decrease in net position in the prior year. The Commission's increase in net position is due to the combined changes of the following major components:

- The Commission's FY 2022 operating income of \$368,001 (that portion of the Commission's operating expenses in excess of its operating revenues) represents an increase of \$443,334 from FY 2021's operating loss of \$75,333.
- Nonoperating revenue, net increased \$136,401 from \$1,176 in FY 2021 to \$137,577 in FY 2022.
- In June of 2013 the Board of Commissioners voted to develop a Primary Reserve Account and a Special Projects Account separate from the day-to-day Operating Account. The Primary Reserve acts as an emergency or "rainy day" fund, while the Special Projects allows for income above projections to be allocated to special projects or items that may not have been apparent during the budgeting process. Both of these funds require Board approval for allocation and expenditure of funds. There were no increases to the Primary Reserves fund or the Special Projects fund approved during the FY 2022. In FY 2022, the only activity in the Primary Reserve and the Special Project accounts were increases applicable to interest income.

Figure 2.

Changes in Fund Net Position				
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change 2021 to 2022</u>	<u>%</u>
Operating revenues	\$ 2,494,850	\$ 1,872,885	\$ 621,965	33
Operating expenses	<u>(2,126,849)</u>	<u>(1,948,218)</u>	<u>(178,631)</u>	9
Operating profit (loss)	<u>368,001</u>	<u>(75,333)</u>	<u>443,334</u>	588
Nonoperating revenues				
Interest income	401	697	(296)	-
Loss (gain) on asset disposals	(14,056)	540	(14,596)	(2,703)
Interest expense	(16,884)	(61)	(16,823)	(2,758)
Gain on debt extinguishment	<u>168,116</u>	<u>-</u>	<u>168,116</u>	100
Total nonoperating revenues (expenses)	<u>137,577</u>	<u>1,176</u>	<u>136,401</u>	1,160
Change in net position	505,578	(74,157)	579,735	782
Total net position, beginning of year	<u>1,227,751</u>	<u>1,301,908</u>	<u>(74,157)</u>	6
Total net position, end of year	<u>\$ 1,733,329</u>	<u>\$ 1,227,751</u>	<u>\$ 505,578</u>	41

(Continued)

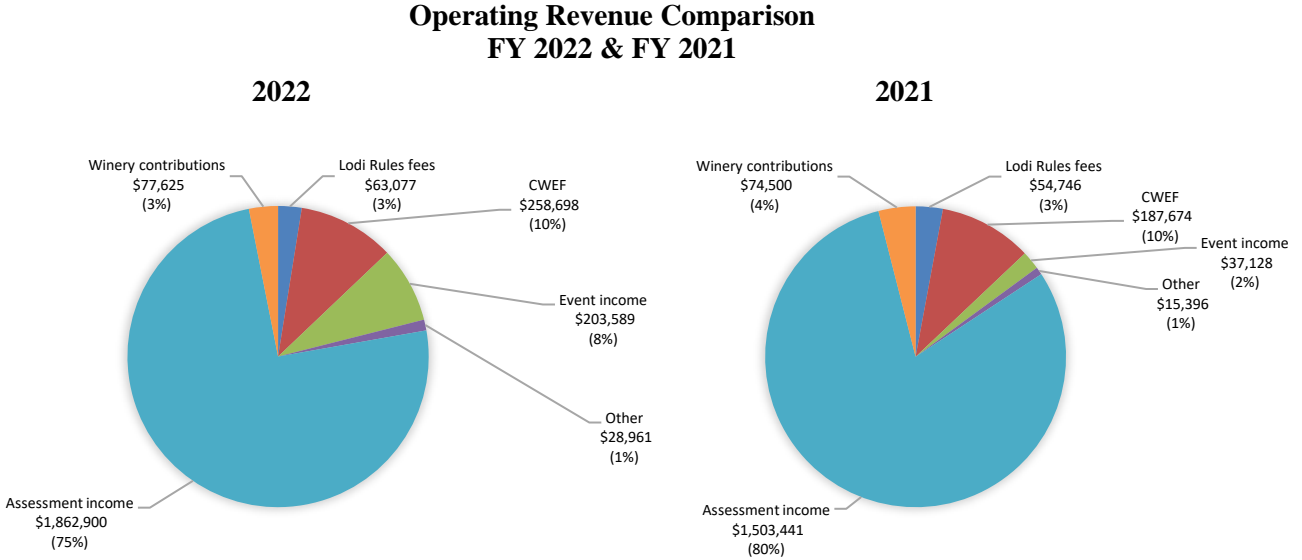
**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management’s Discussion and Analysis (Continued)

June 30, 2022 and 2021

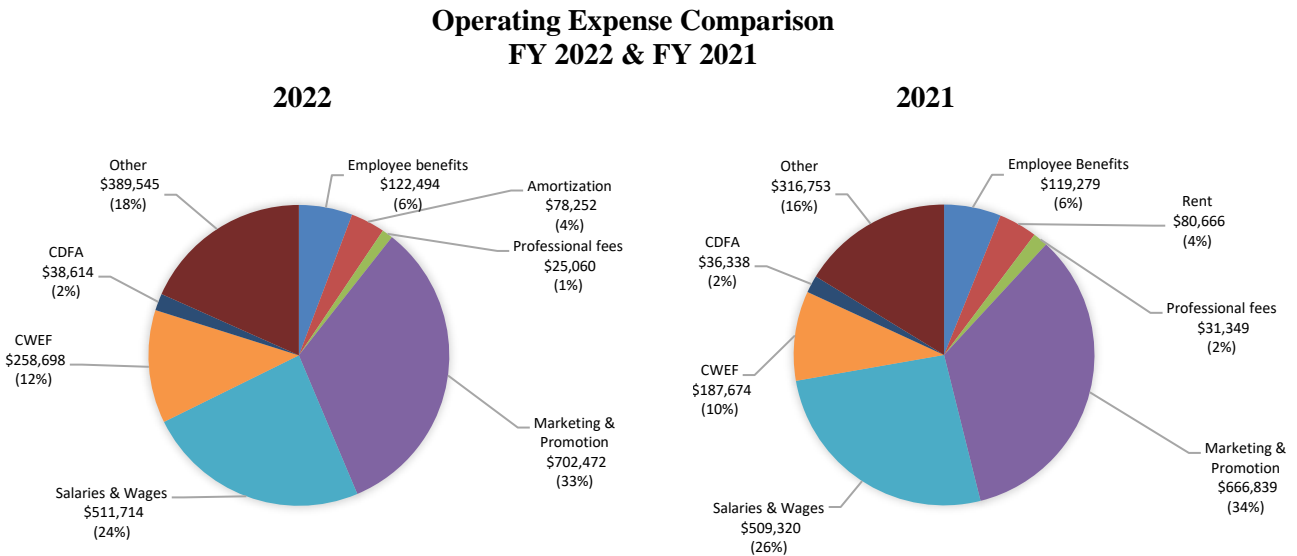
Operating Revenues. Operating revenues increased 33% or \$621,965, due to an increase in assessment income from wine grape producers resulting from increased crop yields and an increase in event income.

Figure 3.



Operating Expenses. Operating expenses increased 9% or \$178,631 due primarily to increases in wages and marketing and promotion expenses and travel expenses.

Figure 4.



(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

Nonoperating Revenues (Expenses). Total nonoperating revenues (expenses) for FY 2022 increased \$136,401 over FY 2021. This was due to an increase in gain on debt extinguishment. During FY 2022, nonoperating revenues (expenses) consisted of interest income, interest expense, and gain on debt extinguishment.

Capital Asset and Debt Administration

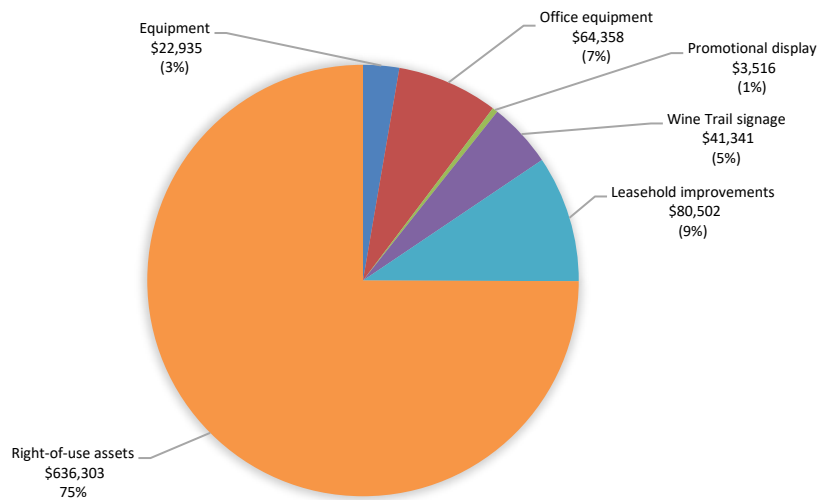
Capital Assets Activity

The Commission's net investment, after depreciation, in capital assets as of June 30, 2022 amounted to \$576,388. The Commission's capital assets include all office equipment, equipment, promotional display, wine trail signage, and leasehold improvements owned by the Commission. The total increase in the Commission's investment in capital assets for the current fiscal year was 674% or \$501,932.

Figure 5 shows the Commission's largest capital asset categories and their portion (%) of the Commission's total asset value in FY 2022.

Figure 5.

**Distribution of Commission Capital Assets
FY 2022**



Additional information on the Commission's capital assets can be found in Note C.

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

The Lodi Winegrape Commission was established in 1991 to serve the interests of the winegrape growers in California Crush District 11. The Board of Directors, six grower-led committees and staff have all been working collaboratively to execute Commission programs and serve Lodi growers' best interests. The Commission utilizes the strategic plan to guide activities and strives to execute many of the key initiatives listed below.

This past year as COVID-related shutdowns and curtailments of business activities faded, the Commission was able to return to hosting and attending many events and activities to promote Lodi. These activities led to an increase in expenses but also an increase in event-related revenues. A larger and more valuable crop in 2021 led to increased Commission revenues and allowed for an expansion of marketing and outreach activities this past year.

Moving forward, the Lodi winegrowing community is in a strong position as the number of Lodi-labeled wines grows, and more wineries are coming to Lodi seeking high quality winegrapes. The Commission is committed to pursuing the strategic priorities listed below and will continue to invest in helping Lodi growers meet the challenges of today and tomorrow.

Mission

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

Strategic Priority #1 - The Lodi Brand and Story

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

Objectives

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

Initiatives

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

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

Strategic Priority #2 - Business Success

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

Objectives

Winegrape Growers:

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

Wineries:

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

Initiatives

Winegrape Growers:

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

Wineries:

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

Strategic Priority #3 - Education and Innovation

Support and create educational programs to grow stakeholders' profitability.

Objectives

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

Winegrape Growers:

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

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

Wineries:

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

Initiatives

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

Winegrape Growers:

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

Wineries:

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

Strategic Priority #4 - Lodi Winegrape Commission

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

Objectives

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

Initiatives

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

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2022 and 2021

Strategic Priority #5 - Our Lodi Community

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

Objectives

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

Initiatives

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

Requests for Information

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

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

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	<u>2022</u>	<u>2021</u>	<u>Change from 2021 to 2022</u>
Current assets			
Cash and cash equivalents	\$ 1,627,281	\$ 1,345,625	\$ 281,656
Accounts receivable	42,328	14,373	27,955
Grants receivable	61,923	58,319	3,604
Prepaid expenses	3,648	2,024	1,624
Deposits	<u>200</u>	<u>200</u>	<u>-</u>
Total current assets	<u>1,735,380</u>	<u>1,420,541</u>	<u>314,839</u>
Capital assets			
Equipment	22,935	8,723	14,212
Leasehold improvements	80,502	98,676	(18,174)
Office equipment	64,358	65,788	(1,430)
Promotional display	3,516	10,563	(7,047)
Wine trail signage	41,341	41,341	-
Right-of-use assets	<u>636,303</u>	<u>-</u>	<u>636,303</u>
	848,955	225,091	623,864
Less accumulated depreciation	(145,307)	(150,635)	5,328
Less accumulated amortization:			
right-of-use asset	<u>(127,260)</u>	<u>-</u>	<u>(127,260)</u>
Total capital assets	<u>576,388</u>	<u>74,456</u>	<u>501,932</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 2,311,768</u>	<u>\$ 1,494,997</u>	<u>\$ 816,771</u>

(Continued)

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

Statements of Net Position (Continued)

June 30,

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities

Accounts payable	\$ 12,530	\$ 51,195	\$ (38,665)
Accrued expenses	44,923	47,935	(3,012)
Current maturities of long-term debt	-	168,116	(168,116)
Current maturities of lease liability	<u>119,855</u>	<u>-</u>	<u>119,855</u>
Total current liabilities	<u>177,308</u>	<u>267,246</u>	<u>(89,938)</u>

Long-term liabilities

Lease liability	<u>401,131</u>	<u>-</u>	<u>401,131</u>
-----------------	----------------	----------	----------------

Deferred inflows of resources

	<u>-</u>	<u>-</u>	<u>-</u>
--	----------	----------	----------

Net position

Net investment in capital assets	576,388	74,456	501,932
Unrestricted - undesignated	681,257	677,999	3,258
Unrestricted - assigned to primary reserves	414,156	413,818	338
Unrestricted - assigned to special projects	<u>61,528</u>	<u>61,478</u>	<u>50</u>
Total net position	<u>1,733,329</u>	<u>1,227,751</u>	<u>505,578</u>

Total liabilities, deferred inflows of
resources and net position

<u>\$ 2,311,768</u>	<u>\$ 1,494,997</u>	<u>\$ 816,771</u>
---------------------	---------------------	-------------------

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

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

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

For the years ended June 30,

	<u>2022</u>	<u>2021</u>	<u>Change from 2021 to 2022</u>
Operating revenues			
Assessment income	\$ 1,862,900	\$ 1,503,441	\$ 359,459
Event income	203,589	37,128	166,461
Winery contributions	77,625	74,500	3,125
Lodi Rules fees	63,077	54,746	8,331
Grant income	15,142	13,689	1,453
Other	<u>13,819</u>	<u>1,707</u>	<u>12,112</u>
	<u>2,236,152</u>	<u>1,685,211</u>	<u>550,941</u>
California Wine Education Foundation			
Management service fees	209,690	139,627	70,063
Rent	<u>49,008</u>	<u>48,047</u>	<u>961</u>
	<u>258,698</u>	<u>187,674</u>	<u>71,024</u>
Total operating revenues	<u>2,494,850</u>	<u>1,872,885</u>	<u>621,965</u>
Operating expenses			
Marketing and promotion			
General	627,472	591,839	35,633
California Wine Education Foundation	75,000	75,000	-
Salaries and wages	511,714	509,320	2,394
Consulting	142,233	114,250	27,983
Employee benefits	122,494	119,279	3,215
Amortization expense:			
right-of-use asset (rent)	78,252	-	78,252
Office expense	43,336	42,181	1,155
California Department of Food and Agriculture	38,614	36,338	2,276
Dues and subscriptions	33,216	21,596	11,620
Newsletters	31,724	9,019	22,705
Grower meetings	28,873	18,947	9,926
Professional fees	25,060	31,349	(6,289)
Travel and entertainment	22,726	784	21,942
Contributions	20,000	20,036	(36)
Insurance	13,024	9,375	3,649
Equipment maintenance and rental	13,654	49,482	(35,828)
Research	12,498	15,236	(2,738)
Depreciation	9,267	10,629	(1,362)
Storage rent	6,030	80,666	(74,636)
Special events	5,500	-	5,500

(Continued)

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

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

For the years ended June 30,

	<u>2022</u>	<u>2021</u>	<u>Change from 2021 to 2022</u>
Operating expenses (Continued)			
Telephone	5,442	3,386	2,056
Personal property tax	991	1,074	(83)
Staff education	464	295	169
Other	361	401	(40)
Bank charges	<u>206</u>	<u>62</u>	<u>144</u>
	<u>1,868,151</u>	<u>1,760,544</u>	<u>107,607</u>
California Wine Education Foundation			
Allocated operating expenses			
Salaries and wages	169,779	112,032	57,747
Employee benefits	39,911	27,595	12,316
Amortization:			
right-of-use asset (rent)	49,008	-	49,008
Rent	<u>-</u>	<u>48,047</u>	<u>(48,047)</u>
	<u>258,698</u>	<u>187,674</u>	<u>22,016</u>
Total operating expenses	<u>2,126,849</u>	<u>1,948,218</u>	<u>178,631</u>
Operating income (loss)	<u>368,001</u>	<u>(75,333)</u>	<u>443,334</u>
Nonoperating revenues (expenses)			
Interest income	401	697	(296)
(Loss) gain on asset disposals	(14,056)	540	(14,596)
Interest expense	(16,884)	(61)	(16,823)
Gain on debt extinguishment	<u>168,116</u>	<u>-</u>	<u>168,116</u>
Total nonoperating revenues (expenses)	<u>137,577</u>	<u>1,176</u>	<u>136,401</u>
Change in net position	505,578	(74,157)	579,735
Net position, beginning of year	<u>1,227,751</u>	<u>1,301,908</u>	<u>(74,157)</u>
Net position, end of year	<u>\$ 1,733,329</u>	<u>\$ 1,227,751</u>	<u>\$ 505,578</u>

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

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

Statements of Cash Flows

Years ended June 30,

	<u>2022</u>	<u>2021</u>	<u>Change from 2021 to 2022</u>
Cash flows from operating activities			
Cash received from growers	\$ 1,862,900	\$ 1,503,441	\$ 359,459
Cash received from other operating sources	600,391	350,478	249,913
Cash paid to suppliers/contributions	(1,521,909)	(1,422,620)	(99,289)
Cash paid to employees	<u>(511,714)</u>	<u>(509,117)</u>	<u>(2,597)</u>
Net cash provided by (used in) operating activities	<u>429,668</u>	<u>(77,818)</u>	<u>507,486</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(16,212)	-	(16,212)
Interest expense	(16,884)	(61)	(16,823)
Proceeds from sale of capital assets	-	540	(540)
Borrowings on long-term debt	-	168,116	(168,116)
Payments on lease liability	<u>(115,317)</u>	<u>-</u>	<u>(115,317)</u>
Net cash (used in) provided by capital and related financing activities	<u>(148,413)</u>	<u>168,595</u>	<u>(317,008)</u>
Cash flows from investing activities			
Interest received	<u>401</u>	<u>697</u>	<u>(296)</u>
Net cash provided by investing activities	<u>401</u>	<u>697</u>	<u>(296)</u>
Net increase in cash and cash equivalents	281,656	91,474	190,182
Cash and cash equivalents, beginning of year	<u>1,345,625</u>	<u>1,254,151</u>	<u>91,474</u>
Cash and cash equivalents, end of year	<u>\$ 1,627,281</u>	<u>\$ 1,345,625</u>	<u>\$ 281,656</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 368,001	\$ (75,333)	\$ 443,334
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	9,267	10,629	(1,362)
Amortization: right-of-use assets (rent)	127,260	-	127,260
Decrease (increase) in operating assets:			
Accounts receivable	(27,955)	(11,517)	(16,438)
Grants receivable	(3,604)	(7,449)	3,845
Prepaid expenses	(1,624)	(1,857)	233
Increase (decrease) in operating liabilities:			
Accounts payable	(38,665)	2,621	(41,286)
Accrued expenses	<u>(3,012)</u>	<u>5,088</u>	<u>(8,100)</u>
Net cash provided by (used in) operating activities	<u>\$ 429,668</u>	<u>\$ (77,818)</u>	<u>\$ 507,486</u>

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

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

Notes to Financial Statements

June 30, 2022 and 2021

Note A - Summary of Accounting Policies

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

Description of reporting entity

The Commission is a corporate body (political subdivision) organized under the provisions of Division 22, Chapter 12.7, beginning with Section 74801 of the Food and Agricultural Code of California, based upon favorable results of the referendum conducted during 1991 and every five years thereafter. During 2026, the Commission is required to conduct the next referendum among the producers to determine whether the Commission's operations will continue in effect for an additional five-year period. The Commission is authorized to carry on programs of promotion, research, education, and integrated pest management relating to wine grape production and to levy an assessment not to exceed one percent of the gross dollar value of wine grapes marketed by producers to vintners.

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

Basis of accounting

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

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

Fund accounting

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

(Continued)

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

Notes to Financial Statements

June 30, 2022 and 2021

Note A - Summary of Accounting Policies (Continued)

Budgetary accounting

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

Cash and cash equivalents

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

Accounts receivable

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

Capital assets

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

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

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

Right-of-use assets

The Commission has recorded right-of-use lease assets as a result of implementing GASB Statement No. 87. The right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-of-use assets are amortized on a straight-line basis over the life of the related lease.

Long-lived assets

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

(Continued)

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

Notes to Financial Statements

June 30, 2022 and 2021

Note A - Summary of Accounting Policies (Continued)

Net position

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

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

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

Advertising costs

The Commission expenses advertising costs as incurred. For the years ended June 30, 2022 and 2021, advertising costs amounted to \$403,057 and \$454,869, respectively.

Estimates

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

New accounting pronouncements

Standards adopted

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for fiscal years beginning after June 15, 2021. The Commission implemented the provisions of this Statement for the year ended June 30, 2022, retrospectively. There was no impact to beginning net position as a result of implementation of this Statement.

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

Notes to Financial Statements

June 30, 2022 and 2021

Note B - Cash and Cash Equivalents

The Commission maintains cash balances at one bank. Cash on deposit in excess of the federal insured limit of \$250,000 in a single financial institution may present a credit risk. The uninsured cash balances at June 30, 2022 and 2021 were \$1,402,946 and \$1,099,269, respectively.

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

Note C - Capital Assets

Capital asset activity for the years ended June 30, 2022 and 2021 were as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2022</u>
Depreciated capital assets				
Equipment	\$ 8,723	\$ 16,212	\$ (2,000)	\$ 22,935
Leasehold improvements	98,676	-	(18,174)	80,502
Office equipment	65,788	-	(1,430)	64,358
Promotional display	10,563	-	(7,047)	3,516
Wine trail signage	41,341	-	-	41,341
Leased buildings	-	603,681	-	603,681
Leased office equipment	-	<u>32,622</u>	-	<u>32,622</u>
Total depreciated capital assets	225,091	652,515	(28,651)	848,955
Less accumulated depreciation	(150,635)	(9,267)	14,595	(145,307)
Less accumulated amortization for leased assets	<u>-</u>	<u>(127,260)</u>	<u>-</u>	<u>(127,260)</u>
Total depreciated capital assets, net	<u>\$ 74,456</u>	<u>\$ 515,988</u>	<u>\$ (14,056)</u>	<u>\$ 576,388</u>
	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Depreciated capital assets				
Equipment	\$ 8,723	\$ -	\$ -	\$ 8,723
Leasehold improvements	98,676	-	-	98,676
Office equipment	65,788	-	-	65,788
Promotional display	10,563	-	-	10,563
Vehicles	23,033	-	(23,033)	-
Wine trail signage	<u>41,341</u>	<u>-</u>	<u>-</u>	<u>41,341</u>
Total depreciated capital assets	248,124	-	(23,033)	225,091
Less accumulated depreciation	<u>(163,039)</u>	<u>(10,629)</u>	<u>23,033</u>	<u>(150,635)</u>
Total depreciated capital assets, net	<u>\$ 85,085</u>	<u>\$ (10,629)</u>	<u>\$ -</u>	<u>\$ 74,456</u>

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

Notes to Financial Statements

June 30, 2022 and 2021

Note D - Retirement

The commissioners approved the establishment of vested retirement benefits for the employees at 11.7% of gross salaries. For the years ended June 30, 2022 and 2021, the combined total retirement benefit of \$79,877 and \$72,978, respectively, was paid directly to a simplified employee plan-individual retirement account (SEP-IRA) for each employee and included in operating expenses.

Note E - Lease Liability

The Commission has entered into agreements to lease certain equipment and buildings. The lease agreements qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on July 1, 2021, to lease a building and requires 60 monthly payments of \$10,472 with an annual increase of 2%. There was no variable payment components of the lease. The lease liability is measured at a discount rate of 3.25%, which is the implicit rate based upon the estimated incremental borrowing rate at lease inception. As a result of the lease, the Commission has recorded a right-to-use asset with a net book value of \$482,945 at June 30, 2022.

The second agreement was executed on July 1, 2021 to lease a copy machine and requires 63 monthly payments of \$545. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2%, which is the stated rate in the lease agreement. As a result of the lease, the Commission has recorded a right-of-use asset with a net book value of \$26,098 on June 30, 2022.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

<u>Year ending June 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total</u>
2023	\$ 119,855	\$ 14,859	\$ 134,714
2024	126,333	10,944	137,277
2025	133,076	6,816	139,892
2026	140,092	2,468	142,560
2027	<u>1,630</u>	<u>5</u>	<u>1,635</u>
	<u>\$ 520,986</u>	<u>\$ 35,092</u>	<u>\$ 556,078</u>

The changes in long-term debt during the year ended June 30, 2022 were as follows:

	<u>Balance</u>			<u>Balance</u>	
	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Lease liabilities	\$ -	\$ 636,303	\$ (115,317)	\$ 520,986	\$ 119,855
	<u>\$ -</u>	<u>\$ 636,303</u>	<u>\$ (115,317)</u>	<u>\$ 520,986</u>	<u>\$ 119,855</u>

Sublease

The Commission subleases a portion of the building lease to the California Wine Education Foundation on an annual basis at the monthly rental amount of \$4,084 with a 2% increase annually. The total amount of rent received at June 30, 2022 was \$49,008.

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

Notes to Financial Statements

June 30, 2022 and 2021

Note F - Insurance

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

At June 30, 2022, the Commission was covered by the following types of insurance:

<u>Coverage</u>	<u>Limits of liability</u>
Commercial general liability, aggregate	\$ 2,000,000
Automobile liability	1,000,000
Personal injury, aggregate	2,000,000
Employers liability	1,000,000
Liquor law legal liability	1,000,000
Workers compensation	Statutory

Note G - Governing Board

The governing board of the Commission consists of the following at June 30, 2022:

Aaron Shinn, Chair	Phil Abba
Diego Olagaray, Vice Chair	Bruce Fry
Curt Gillespie, Secretary	Matt Lauchland
Brandon Sywassink, Treasurer	Tom Murphy
	Jason Eells

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

Note H - Related Party Transactions

The California Wine Education Foundation dba the Lodi Wine and Visitor Center (a non-profit Organization), and the Commission share some common goals and; therefore, share certain facility and operating resources. The following summarizes the related party balances and transactions as of and for the years ended June 30, 2022 and 2021:

	<u>Amount</u>	
	<u>2022</u>	<u>2021</u>
<u>Statement of net position</u>		
Accounts receivable	\$ 39,397	\$ 13,373
Accounts payable	-	243
<u>Statement of revenues, expenses and changes in fund net position</u>		
<u>Operating revenues</u>		
Management service fees	\$ 209,690	\$ 139,627
Rent	49,008	48,047

(Continued)

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

Notes to Financial Statements

June 30, 2022 and 2021

Note H - Related Party Transactions (Continued)

	Amount	
	2022	2021
<u>Statement of revenues, expenses and changes in fund net position</u>		
<u>Operating expenses</u>		
Marketing and promotion	\$ 75,000	\$ 75,000
Allocated operating expenses		
Salaries	169,779	112,032
Employee benefits	39,911	27,595
Rent	-	48,047
Amortization: right-of-use assets (rent)	49,008	-

Note I - Paycheck Protection Program

In February 2021, the Commission received loan proceeds in the amount of \$168,116 under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES ACT). The loan is uncollateralized and is fully guaranteed by the Federal government. The loan is subject to a note dated February 16, 2021, with a maturity date of February 16, 2026 and the loan and accrued interest may be forgiven to the extent the proceeds are used for eligible expenditures as described in the CARES Act. Eligible expenditures include payroll costs, group health care benefit cost, mortgage payments, rent, utilities, and interest on other debt obligations. As of June 30, 2022, the Commission had used the entire loan proceeds for qualifying expenses, and therefore, the entire loan was forgiven in January 2022. As of June 30, 2022, the Commission recognized the loan proceeds of \$168,116 as a gain on debt extinguishment in the statement of revenues, expenses, and changes in fund net position.

Note J - Contingencies

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged in jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the Commission is unknown.