

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022



CROCE, SANGUINETTI, & VANDER VEEN

INC.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023 and 2022, 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, 2023 and 2022 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.

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

December 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

June 30, 2023 and 2022

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, 2023. Please read it in conjunction with the financial statements, which begin on page 14.

Financial Highlights

- Total assets of the Commission were \$1,987,331 with capital assets at \$449,560, net of accumulated depreciation and amortization. Current assets for the year ended June 30, 2023 and 2022 were \$1,537,771 and \$1,735,380, respectively.
- Total liabilities were \$482,398, of which \$207,600 were considered current obligations.
- Assets of the Commission exceeded liabilities at the close of the most recent fiscal year by \$1,504,933 (net position). Of this amount, \$1,055,373 (unrestricted) may be used to meet the Commission's ongoing obligations and \$449,560 is net investment in capital assets.
- The Commission's net position decreased by \$228,396 from \$1,733,329 in FY 2022 to \$1,504,933 in FY 2023.
- Total operating revenues for the FY 2023 were \$2,552,119, which is an increase of 2% from the prior year. This change primarily reflects increases in revenues from assessments charged to wine grape producers and an increase in grant income.
- Total operating expenses for the FY 2023 were \$2,782,679. This figure is 31% higher than the prior year, due primarily to increases in marketing and promotion costs and salaries and wages expenses.
- Operating loss was \$(230,560), a decrease of \$598,561 from the prior year's income of \$368,001.
- Total non-operating revenues decreased by \$135,413, 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, 2023 and 2022

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, 2023 and 2022

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 \$1,504,933 on June 30, 2023, a decrease of \$228,396 or 13% less than the Commission's net position at June 30, 2022.

Figure 1.

	Net Position		Change	%
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>2022 to 2023</u>	
Current and other assets	\$ 1,537,771	\$ 1,735,380	\$ (197,609)	(11)
Capital assets	<u>449,560</u>	<u>576,388</u>	<u>(126,828)</u>	(22)
Total assets	<u>1,987,331</u>	<u>2,311,768</u>	<u>(324,437)</u>	(14)
Current liabilities	207,600	177,308	30,292	17
Long-term liabilities	<u>274,798</u>	<u>401,131</u>	<u>(126,333)</u>	(31)
Total liabilities	<u>482,398</u>	<u>578,439</u>	<u>(96,041)</u>	(17)
Net investment in capital assets	449,560	576,388	(126,828)	(22)
Unrestricted - undesignated	574,744	681,257	(106,543)	(16)
Unrestricted - assigned to primary reserves	418,461	414,156	4,305	1
Unrestricted - assigned to special projects	<u>62,168</u>	<u>61,528</u>	<u>640</u>	1
Total net position, end of period	<u>\$ 1,504,933</u>	<u>\$ 1,733,329</u>	<u>\$ (228,396)</u>	(13)

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

Change in Net Position

As shown in Figure 2, the Commission's operating and nonoperating activities decreased net position by \$228,396 as compared to a \$505,578 increase in net position in the prior year. The Commission's decrease in net position is due to the combined changes of the following major components:

- The Commission's FY 2023 operating loss of \$230,560 (that portion of the Commission's operating expenses in excess of its operating revenues) represents a decrease of \$598,561 from FY 2022's operating income of \$368,001.
- Nonoperating revenue, net decreased \$135,413 from \$137,577 in FY 2022 to \$2,164 in FY 2023.
- 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 2023. In FY 2023, 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, 2023</u>	<u>June 30, 2022</u>	<u>Change 2022 to 2023</u>	<u>%</u>
Operating revenues	\$ 2,552,119	\$ 2,494,850	\$ 57,269	2
Operating expenses	<u>(2,782,679)</u>	<u>(2,126,849)</u>	<u>(655,830)</u>	(31)
Operating profit (loss)	<u>(230,560)</u>	<u>368,001</u>	<u>(598,561)</u>	(163)
Nonoperating revenues				
Interest income	17,023	401	16,622	4,145
Loss (gain) on asset disposals	-	(14,056)	14,056	100
Interest expense	(14,859)	(16,884)	2,025	12
Gain on debt extinguishment	<u>-</u>	<u>168,116</u>	<u>(168,116)</u>	(100)
Total nonoperating revenues (expenses)	<u>2,164</u>	<u>137,577</u>	<u>(135,413)</u>	(98)
Change in net position	(228,396)	505,578	(733,974)	(145)
Total net position, beginning of year	<u>1,733,329</u>	<u>1,227,751</u>	<u>505,578</u>	41
Total net position, end of year	<u>\$ 1,504,933</u>	<u>\$ 1,733,329</u>	<u>\$ (228,396)</u>	(13)

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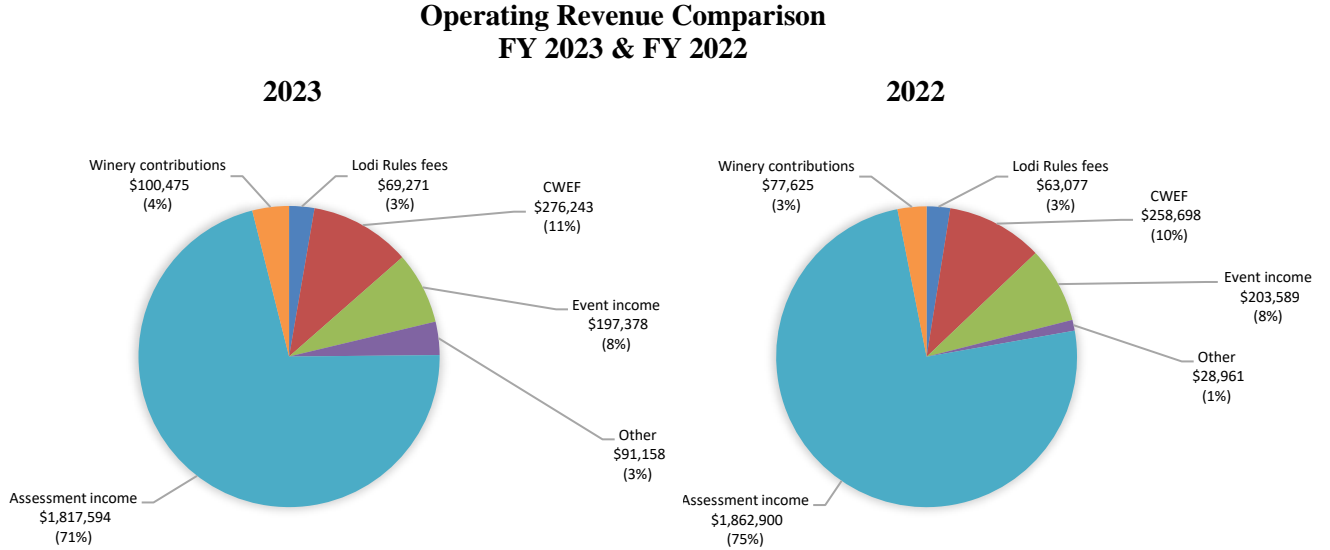
**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

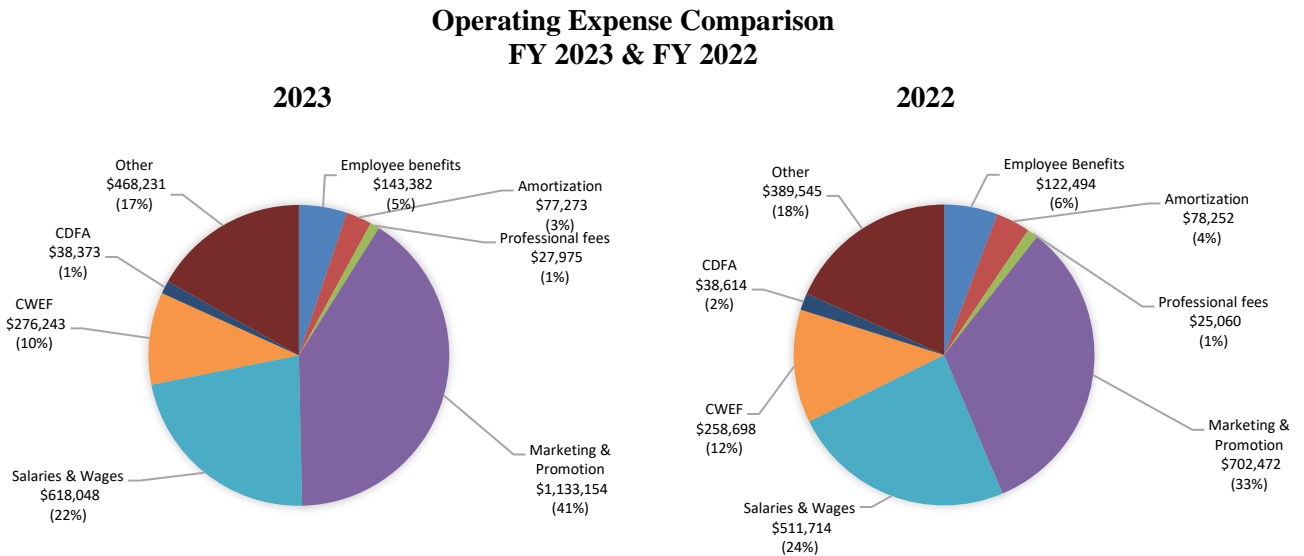
Operating Revenues. Operating revenues increased 2% or \$57,269, due to an increase in assessment income from wine grape producers resulting from increased crop yields and an increase in grant income.

Figure 3.



Operating Expenses. Operating expenses increased 31% or \$655,830 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, 2023 and 2022

Nonoperating Revenues (Expenses). Total nonoperating revenues (expenses) for FY 2023 decreased \$135,413 over FY 2022. This was due to a decrease in gain on debt extinguishment. During FY 2023, nonoperating revenues (expenses) consisted of interest income and interest expense.

Capital Asset and Debt Administration

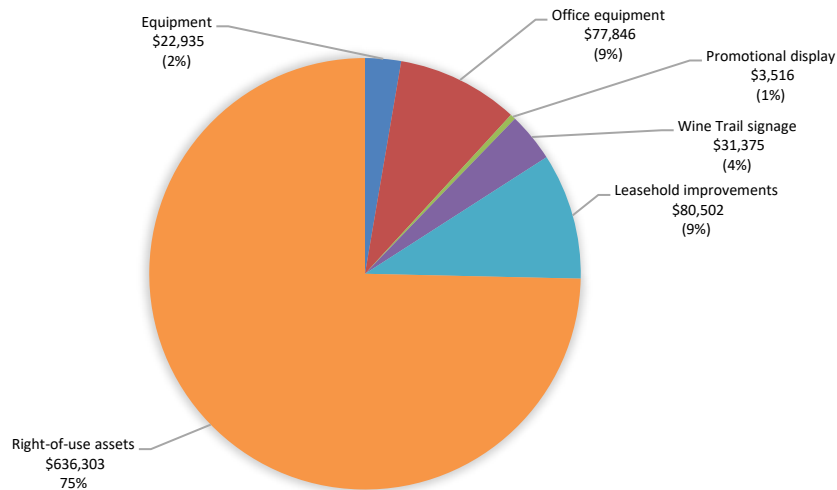
Capital Assets Activity

The Commission’s net investment, after depreciation, in capital assets as of June 30, 2023 amounted to \$449,560. The Commission’s capital assets include all office equipment, equipment, promotional display, wine trail signage, and leasehold improvements owned by the Commission. The total decrease in the Commission’s investment in capital assets for the current fiscal year was 22% or \$126,828.

Figure 5 shows the Commission’s largest capital asset categories and their portion (%) of the Commission’s total asset value in FY 2023.

Figure 5.

**Distribution of Commission Capital Assets
FY 2023**



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

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

Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

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, the Commission was able to return to hosting and attending many events and activities to promote Lodi including launching the rebranded Zinfest as the Lodi Wine Experience. These activities led to an increase in expenses but also an increase in event-related revenues. A larger and more valuable crop in 2022 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 challenging position as a global oversupply of winegrapes has depressed demand. Simultaneously, the reputation and number of Lodi grown wines continues to grow. More and more brands are looking to Lodi as a source of high quality winegrapes but not enough to offset the growth in supply. 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

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

Management's Discussion and Analysis (Continued)

June 30, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022

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>2023</u>	<u>2022</u>	<u>Change from 2022 to 2023</u>
Current assets			
Cash and cash equivalents	\$ 1,348,422	\$ 1,627,281	\$ (278,859)
Accounts receivable	136,672	42,328	94,344
Grants receivable	50,000	61,923	(11,923)
Prepaid expenses	2,477	3,648	(1,171)
Deposits	<u>200</u>	<u>200</u>	<u>-</u>
Total current assets	<u>1,537,771</u>	<u>1,735,380</u>	<u>(197,609)</u>
Capital assets			
Equipment	22,935	22,935	-
Leasehold improvements	80,502	80,502	-
Office equipment	77,846	64,358	13,488
Promotional display	3,516	3,516	-
Wine trail signage	31,375	41,341	(9,966)
Right-of-use assets	<u>636,303</u>	<u>636,303</u>	<u>-</u>
	852,477	848,955	3,522
Less accumulated depreciation	(148,396)	(145,307)	(3,089)
Less accumulated amortization:			
right-of-use asset	<u>(254,521)</u>	<u>(127,260)</u>	<u>(127,261)</u>
Total capital assets	<u>449,560</u>	<u>576,388</u>	<u>(126,828)</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,987,331</u>	<u>\$ 2,311,768</u>	<u>\$ (324,437)</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities			
Accounts payable	\$ 30,006	\$ 12,530	\$ 17,476
Accrued expenses	51,261	44,923	6,338
Current maturities of lease liability	<u>126,333</u>	<u>119,855</u>	<u>6,478</u>
Total current liabilities	<u>207,600</u>	<u>177,308</u>	<u>30,292</u>
Long-term liabilities			
Lease liability	<u>274,798</u>	<u>401,131</u>	<u>(126,333)</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	449,560	576,388	(126,828)
Unrestricted - undesignated	574,744	681,257	(106,513)
Unrestricted - assigned to primary reserves	418,461	414,156	4,305
Unrestricted - assigned to special projects	<u>62,168</u>	<u>61,528</u>	<u>640</u>
Total net position	<u>1,504,933</u>	<u>1,733,329</u>	<u>(228,396)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,987,331</u>	<u>\$ 2,311,768</u>	<u>\$ (324,437)</u>

**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>2023</u>	<u>2022</u>	<u>Change from 2022 to 2023</u>
Operating revenues			
Assessment income	\$ 1,817,594	\$ 1,862,900	\$ (45,306)
Event income	197,378	203,589	(6,211)
Winery contributions	100,475	77,625	22,850
Grant income	77,700	15,142	62,558
Lodi Rules fees	69,271	63,077	6,194
Other	<u>13,458</u>	<u>13,819</u>	<u>(361)</u>
	<u>2,275,876</u>	<u>2,236,152</u>	<u>39,724</u>
California Wine Education Foundation			
Management service fees	226,255	209,690	16,565
Rent	<u>49,988</u>	<u>49,008</u>	<u>980</u>
	<u>276,243</u>	<u>258,698</u>	<u>17,545</u>
Total operating revenues	<u>2,552,119</u>	<u>2,494,850</u>	<u>57,269</u>
Operating expenses			
Marketing and promotion			
General	894,154	627,472	266,682
California Wine Education Foundation	239,000	75,000	164,000
Salaries and wages	618,048	511,714	106,334
Employee benefits	143,382	122,494	20,888
Consulting	136,834	142,233	(5,399)
Amortization expense:			
right-of-use asset (rent)	77,273	78,252	(979)
Research	58,190	12,498	45,692
Dues and subscriptions	52,157	33,216	18,941
Grower meetings	48,754	28,873	19,881
Office expense	46,337	43,336	3,001
California Department of Food and Agriculture	38,373	38,614	(241)
Travel and entertainment	33,612	22,726	10,886
Equipment maintenance and rental	31,127	13,654	17,473
Professional fees	27,975	25,060	2,915
Depreciation	13,055	9,267	3,788
Insurance	12,918	13,024	(106)
Contributions	10,000	20,000	(10,000)
Storage rent	6,607	6,030	577
Telephone	6,175	5,442	733
Newsletters	5,740	31,724	(25,984)
Special events	5,000	5,500	(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>2023</u>	<u>2022</u>	<u>Change from 2022 to 2023</u>
Operating expenses (Continued)			
Personal property tax	1,123	991	132
Other	447	361	86
Bank charges	155	206	(51)
Staff education	-	464	(464)
	<u>2,506,436</u>	<u>1,868,151</u>	<u>638,285</u>
California Wine Education Foundation			
Allocated operating expenses			
Salaries and wages	183,438	169,779	13,659
Employee benefits	42,817	39,911	2,906
Amortization:			
right-of-use asset (rent)	49,988	49,008	980
	<u>276,243</u>	<u>258,698</u>	<u>17,545</u>
Total operating expenses	<u>2,782,679</u>	<u>2,126,849</u>	<u>655,830</u>
Operating income (loss)	<u>(230,560)</u>	<u>368,001</u>	<u>(598,561)</u>
Nonoperating revenues (expenses)			
Interest income	17,023	401	16,622
(Loss) gain on asset disposals	-	(14,056)	14,056
Interest expense	(14,859)	(16,884)	2,025
Gain on debt extinguishment	-	168,116	(168,116)
	<u>-</u>	<u>168,116</u>	<u>(168,116)</u>
Total nonoperating revenues (expenses)	<u>2,164</u>	<u>137,577</u>	<u>(135,413)</u>
Change in net position	(228,396)	505,578	(733,974)
Net position, beginning of year	<u>1,733,329</u>	<u>1,227,751</u>	<u>505,578</u>
Net position, end of year	<u>\$ 1,504,933</u>	<u>\$ 1,733,329</u>	<u>\$ (228,396)</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>2023</u>	<u>2022</u>	<u>Change from 2022 to 2023</u>
Cash flows from operating activities			
Cash received from growers	\$ 1,817,594	\$ 1,862,900	\$ (45,306)
Cash received from other operating sources	652,104	600,391	51,713
Cash paid to suppliers/contributions	(1,999,330)	(1,521,909)	(477,421)
Cash paid to employees	<u>(618,048)</u>	<u>(511,714)</u>	<u>(106,334)</u>
Net cash (used in) provided by operating activities	<u>(147,680)</u>	<u>429,668</u>	<u>(577,348)</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(13,488)	(16,212)	2,724
Interest expense	(14,859)	(16,884)	2,025
Payments on lease liability	<u>(119,855)</u>	<u>(115,317)</u>	<u>(4,538)</u>
Net cash used in capital and related financing activities	<u>(148,202)</u>	<u>(148,413)</u>	<u>211</u>
Cash flows from investing activities			
Interest received	<u>17,023</u>	<u>401</u>	<u>16,622</u>
Net cash provided by investing activities	<u>17,023</u>	<u>401</u>	<u>16,622</u>
Net (decrease) increase in cash and cash equivalents	<u>(278,859)</u>	<u>281,656</u>	<u>(560,515)</u>
Cash and cash equivalents, beginning of year	<u>1,627,281</u>	<u>1,345,625</u>	<u>281,656</u>
Cash and cash equivalents, end of year	<u>\$ 1,348,422</u>	<u>\$ 1,627,281</u>	<u>\$ (278,859)</u>
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities			
Operating income (loss)	\$ (230,560)	\$ 368,001	\$ (598,561)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities			
Depreciation	13,055	9,267	3,788
Amortization: right-of-use assets (rent)	127,261	127,260	1
Decrease (increase) in operating assets:			
Accounts receivable	(94,344)	(27,955)	(66,389)
Grants receivable	11,923	(3,604)	15,527
Prepaid expenses	1,171	(1,624)	2,795
Increase (decrease) in operating liabilities:			
Accounts payable	17,476	(38,665)	56,141
Accrued expenses	<u>6,338</u>	<u>(3,012)</u>	<u>9,350</u>
Net cash (used in) provided by operating activities	<u>\$ (147,680)</u>	<u>\$ 429,668</u>	<u>\$ (577,348)</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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, advertising costs amounted to \$597,656 and \$403,057, 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.

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, 2023 and 2022 were \$1,167,417 and \$1,402,946, 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.

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

Notes to Financial Statements

June 30, 2023 and 2022

Note C - Capital Assets

Capital asset activity for the years ended June 30, 2023 and 2022 were as follows:

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2023</u>
Depreciated capital assets				
Equipment	\$ 22,935	\$ -	\$ -	\$ 22,935
Leasehold improvements	80,502	-	-	80,502
Office equipment	64,358	13,488	-	77,846
Promotional display	3,516	-	-	3,516
Wine trail signage	41,341	-	(9,966)	31,375
Leased buildings	603,681	-	-	603,681
Leased office equipment	<u>32,622</u>	<u>-</u>	<u>-</u>	<u>32,622</u>
Total depreciated capital assets	848,955	13,488	(9,966)	852,477
Less accumulated depreciation	(145,307)	(13,055)	9,966	(148,396)
Less accumulated amortization for leased assets	<u>(127,260)</u>	<u>(127,261)</u>	<u>-</u>	<u>(254,521)</u>
Total depreciated capital assets, net	<u>\$ 576,388</u>	<u>\$ (126,828)</u>	<u>\$ -</u>	<u>\$ 449,560</u>
	Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance <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>-</u>	<u>32,622</u>	<u>-</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>

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, 2023 and 2022, the combined total retirement benefit of \$92,977 and \$79,877, respectively, was paid directly to a simplified employee plan-individual retirement account (SEP-IRA) for each employee and included in operating expenses.

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

Notes to Financial Statements

June 30, 2023 and 2022

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 \$362,209 at June 30, 2023.

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 \$19,573 on June 30, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

<u>Year ending June 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total</u>
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>\$ 401,131</u>	<u>\$ 20,233</u>	<u>\$ 421,364</u>

The changes in long-term debt during the year ended June 30, 2023 were as follows:

	<u>Balance</u>			<u>Balance</u>	
	<u>June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Lease liabilities	\$ 520,986	\$ -	\$ (119,855)	\$ 401,131	\$ 126,333
	<u>\$ 520,986</u>	<u>\$ -</u>	<u>\$ (119,855)</u>	<u>\$ 401,131</u>	<u>\$ 126,333</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 \$4,166 with a 2% increase annually. The total amount of rent received at June 30, 2023 was \$49,988.

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

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023, 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, 2023:

Aaron Shinn, Chair	Phil Abba
Diego Olagaray, Vice Chair	Joan Kautz
Curt Gillespie, Secretary	Matt Lauchland
Tom Murphy, Treasurer	Jacylyn Stokes
	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, 2023 and 2022:

	<u>Amount</u>	
	<u>2023</u>	<u>2022</u>
<u>Statement of net position</u>		
Accounts receivable	\$ 96,966	\$ 39,397
<u>Statement of revenues, expenses and changes in fund net position</u>		
<u>Operating revenues</u>		
Management service fees	\$ 226,255	\$ 209,690
Rent	49,988	49,008

(Continued)

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

Notes to Financial Statements

June 30, 2023 and 2022

Note H - Related Party Transactions (Continued)

	<u>Amount</u>	
	<u>2023</u>	<u>2022</u>
<u>Statement of revenues, expenses and changes in fund net position</u>		
<u>Operating expenses</u>		
Marketing and promotion	\$ 239,000	\$ 75,000
Allocated operating expenses		
Salaries	183,438	169,779
Employee benefits	42,817	39,911
Amortization: right-of-use assets (rent)	49,988	49,008