

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2024 AND 2023



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, 2024 and 2023, 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, 2024 and 2023 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 2, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

June 30, 2024 and 2023

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, 2024. Please read it in conjunction with the financial statements, which begin on page 14.

Financial Highlights

- Total assets of the Commission were \$2,016,994 with capital assets at \$321,740, net of accumulated depreciation and amortization. Current assets for the year ended June 30, 2024 and 2023 were \$1,695,254 and \$1,537,771, respectively.
- Total liabilities were \$576,468, of which \$434,746 were considered current obligations.
- Assets of the Commission exceeded liabilities at the close of the most recent fiscal year by \$1,440,526 (net position). Of this amount, \$1,118,786 (unrestricted) may be used to meet the Commission's ongoing obligations and \$321,740 is net investment in capital assets.
- The Commission's net position decreased by \$64,407 from \$1,504,933 in FY 2023 to \$1,440,526 in FY 2024.
- Total operating revenues for the FY 2024 were \$2,797,933, which is an increase of 10% from the prior year. This change primarily reflects increases in revenues from grant income.
- Total operating expenses for the FY 2024 were \$2,904,901. This figure is 4% higher than the prior year, due primarily to increases in research expenses.
- Operating loss was \$(106,968), a decrease of \$123,592 from the prior year's loss of \$230,560.
- Total non-operating revenues increased by \$40,397, due to the increase in interest income in FY 2024.

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, 2024 and 2023

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, 2024 and 2023

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 \$1,440,526 on June 30, 2024, a decrease of \$64,407 or 4% less than the Commission's net position at June 30, 2023.

Figure 1.

| | Net Position | | Change | % |
|---|----------------------|----------------------|---------------------|------|
| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>2023 to 2024</u> | |
| Current and other assets | \$ 1,695,254 | \$ 1,537,771 | \$ 157,483 | 10 |
| Capital assets | <u>321,740</u> | <u>449,560</u> | <u>(127,820)</u> | (28) |
| Total assets | <u>2,016,994</u> | <u>1,987,331</u> | <u>29,663</u> | 1 |
| Current liabilities | 434,746 | 207,600 | 227,146 | 109 |
| Long-term liabilities | <u>141,722</u> | <u>274,798</u> | <u>(133,076)</u> | (48) |
| Total liabilities | <u>576,468</u> | <u>482,398</u> | <u>94,070</u> | 20 |
| Net investment in capital assets | 321,740 | 449,560 | (127,820) | (28) |
| Unrestricted - undesignated | 618,752 | 574,744 | 44,008 | 8 |
| Unrestricted - assigned to primary reserves | 435,343 | 418,461 | 16,882 | 4 |
| Unrestricted - assigned to special projects | <u>64,691</u> | <u>62,168</u> | <u>2,523</u> | 4 |
| Total net position, end of period | <u>\$ 1,440,526</u> | <u>\$ 1,504,933</u> | <u>\$ (64,407)</u> | (4) |

(Continued)

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

Management’s Discussion and Analysis (Continued)

June 30, 2024 and 2023

Change in Net Position

As shown in Figure 2, the Commission’s operating and nonoperating activities decreased net position by \$64,407 as compared to a \$228,396 decrease 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 2024 operating loss of \$106,968 (that portion of the Commission’s operating expenses in excess of its operating revenues) represents a decrease of \$123,592 from FY 2023’s operating loss of \$230,560.
- Nonoperating revenue, net increased \$40,397 from \$2,164 in FY 2023 to \$42,561 in FY 2024.
- 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 2024. In FY 2024, 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, 2024</u> | <u>June 30, 2023</u> | <u>Change 2023 to 2024</u> | <u>%</u> |
| Operating revenues | \$ 2,797,933 | \$ 2,552,119 | \$ 245,814 | 10 |
| Operating expenses | <u>(2,904,901)</u> | <u>(2,782,679)</u> | <u>(122,222)</u> | (4) |
| Operating loss | <u>(106,968)</u> | <u>(230,560)</u> | <u>123,592</u> | 54 |
| Nonoperating revenues | | | | |
| Interest income | 53,505 | 17,023 | 36,482 | 214 |
| Interest expense | <u>(10,944)</u> | <u>(14,859)</u> | <u>3,915</u> | 26 |
| Total nonoperating revenues (expenses) | <u>42,561</u> | <u>2,164</u> | <u>40,397</u> | 187 |
| Change in net position | (64,407) | (228,396) | 163,989 | 72 |
| Total net position, beginning of year | <u>1,504,933</u> | <u>1,733,329</u> | <u>(228,396)</u> | (13) |
| Total net position, end of year | <u>\$ 1,440,526</u> | <u>\$ 1,504,933</u> | <u>\$ (64,407)</u> | (4) |

(Continued)

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

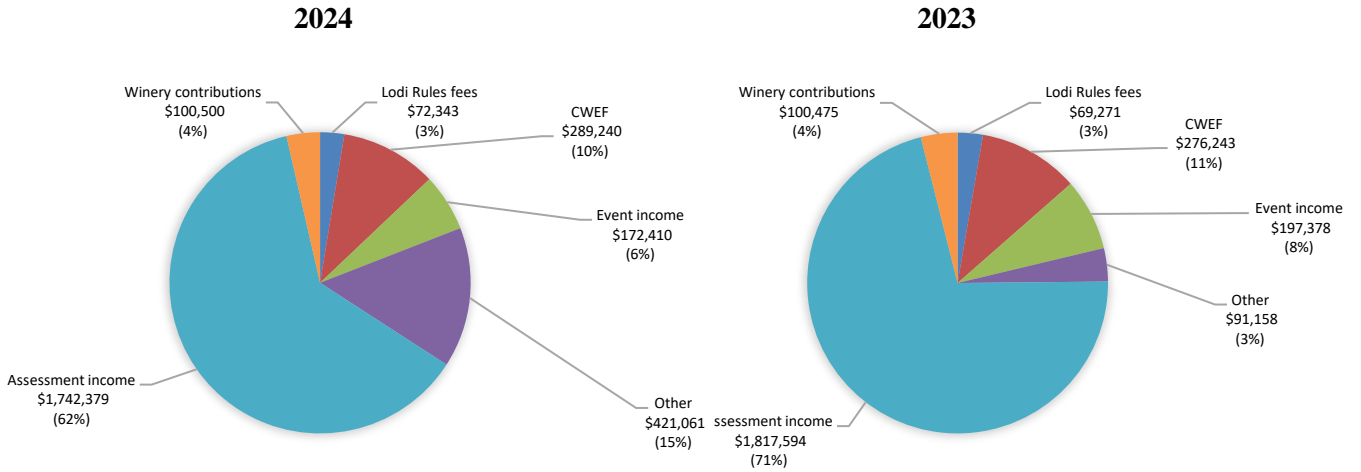
Management’s Discussion and Analysis (Continued)

June 30, 2024 and 2023

Operating Revenues. Operating revenues increased 10% or \$245,814, due to an increase in grant income.

Figure 3.

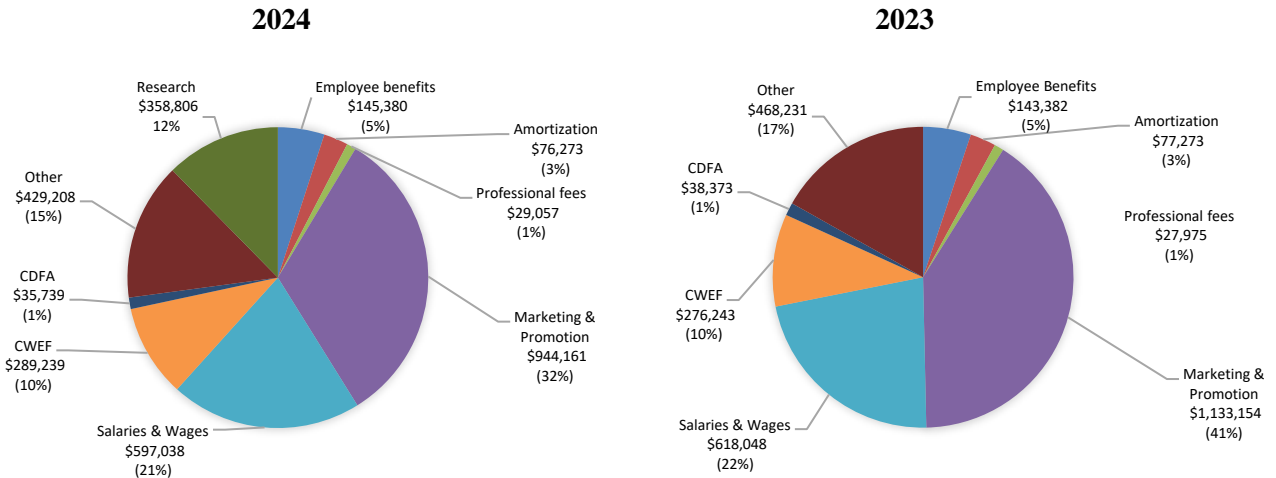
**Operating Revenue Comparison
FY 2024 & FY 2023**



Operating Expenses. Operating expenses increased 4% or \$122,222 due primarily to increases in research expenses.

Figure 4.

**Operating Expense Comparison
FY 2024 & FY 2023**



(Continued)

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

Management’s Discussion and Analysis (Continued)

June 30, 2024 and 2023

Nonoperating Revenues (Expenses). Total nonoperating revenues (expenses) for FY 2024 increased \$40,397 over FY 2023. This was due to an increase in interest income. During FY 2024, nonoperating revenues (expenses) consisted of interest income and interest expense.

Capital Asset and Debt Administration

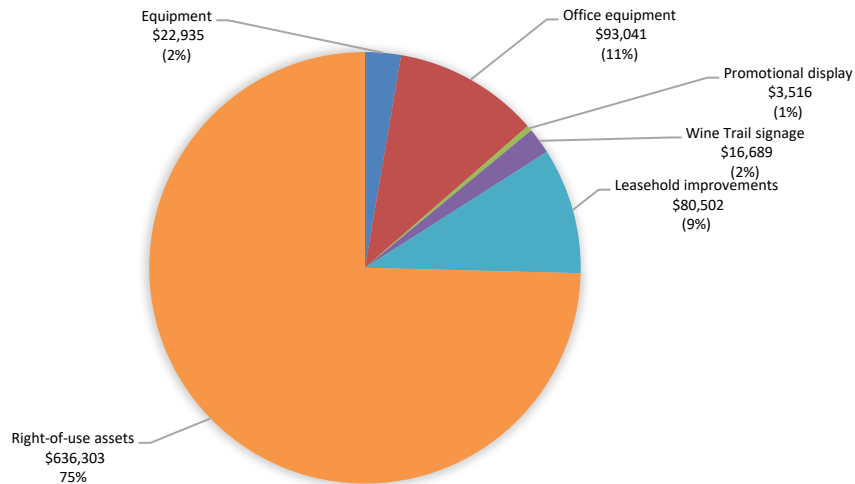
Capital Assets Activity

The Commission’s net investment, after depreciation, in capital assets as of June 30, 2024 amounted to \$321,740. 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 28% or \$127,820.

Figure 5 shows the Commission’s largest capital asset categories and their portion (%) of the Commission’s total asset value in FY 2024.

Figure 5.

**Distribution of Commission Capital Assets
FY 2024**



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, 2024 and 2023

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 expected and realized reduced assessment revenue due to weakening market conditions. As a result, some marketing activities were curtailed and the Commission explored additional ways to deliver the Lodi message. Additionally, the Commission was able to secure additional grant funding for both marketing activities and in-the-field research. This allowed the Commission to leverage assessment dollars for greater benefit.

Moving forward, the Lodi winegrowing community is in a challenging position as a global oversupply of winegrapes combined with two years of decreased wine sales has depressed winegrape demand. Simultaneously, the reputation and number of Lodi grown wines continues to grow, 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

(Continued)

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

Management's Discussion and Analysis (Continued)

June 30, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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,

| | <u>2024</u> | <u>2023</u> | <u>Change from 2023 to 2024</u> |
|--|---------------------|---------------------|-------------------------------------|
| Current assets | | | |
| Cash and cash equivalents | \$ 1,354,874 | \$ 1,348,422 | \$ 6,452 |
| Accounts receivable | 162,443 | 136,672 | 25,771 |
| Grants receivable | 175,416 | 50,000 | 125,416 |
| Prepaid expenses | 2,321 | 2,477 | (156) |
| Deposits | <u>200</u> | <u>200</u> | <u>-</u> |
| Total current assets | <u>1,695,254</u> | <u>1,537,771</u> | <u>157,483</u> |
| Capital assets | | | |
| Equipment | 22,935 | 22,935 | - |
| Leasehold improvements | 80,502 | 80,502 | - |
| Office equipment | 93,041 | 77,846 | 15,195 |
| Promotional display | 3,516 | 3,516 | - |
| Wine trail signage | 16,689 | 31,375 | (14,686) |
| Right-of-use assets | <u>636,303</u> | <u>636,303</u> | <u>-</u> |
| | 852,986 | 852,477 | 509 |
| Less accumulated depreciation | (149,464) | (148,396) | (1,068) |
| Less accumulated amortization: | | | |
| right-of-use asset | <u>(381,782)</u> | <u>(254,521)</u> | <u>(127,261)</u> |
| Total capital assets | <u>321,740</u> | <u>449,560</u> | <u>(127,820)</u> |
| Deferred outflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,016,994</u> | <u>\$ 1,987,331</u> | <u>\$ 29,663</u> |

Liabilities, Deferred Inflows of Resources and Net Position

| | | | |
|--|---------------------|---------------------|------------------|
| Current liabilities | | | |
| Accounts payable | \$ 249,216 | \$ 30,006 | \$ 219,210 |
| Accrued expenses | 52,454 | 51,261 | 1,193 |
| Current maturities of lease liability | <u>133,076</u> | <u>126,333</u> | <u>6,743</u> |
| Total current liabilities | <u>434,746</u> | <u>207,600</u> | <u>227,146</u> |
| Long-term liabilities | | | |
| Lease liability | <u>141,722</u> | <u>274,798</u> | <u>(133,076)</u> |
| Deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Net position | | | |
| Net investment in capital assets | 321,740 | 449,560 | (127,820) |
| Unrestricted - undesignated | 618,752 | 574,744 | 44,008 |
| Unrestricted - assigned to primary reserves | 435,343 | 418,461 | 16,882 |
| Unrestricted - assigned to special projects | <u>64,691</u> | <u>62,168</u> | <u>2,523</u> |
| Total net position | <u>1,440,526</u> | <u>1,504,933</u> | <u>(64,407)</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 2,016,994</u> | <u>\$ 1,987,331</u> | <u>\$ 29,663</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>2024</u> | <u>2023</u> | <u>Change from 2023 to 2024</u> |
|--|------------------|------------------|-------------------------------------|
| Operating revenues | | | |
| Assessment income | \$ 1,742,379 | \$ 1,817,594 | \$ (75,215) |
| Grant income | 406,125 | 77,700 | 328,425 |
| Event income | 172,410 | 197,378 | (24,968) |
| Winery contributions | 100,500 | 100,475 | 25 |
| Lodi Rules fees | 72,343 | 69,271 | 3,072 |
| Other | 14,936 | 13,458 | 1,478 |
| | <u>2,508,693</u> | <u>2,275,876</u> | <u>232,817</u> |
| California Wine Education Foundation | | | |
| Management service fees | 238,252 | 226,255 | 11,997 |
| Rent | 50,988 | 49,988 | 1,000 |
| | <u>289,240</u> | <u>276,243</u> | <u>12,997</u> |
| Total operating revenues | <u>2,797,933</u> | <u>2,552,119</u> | <u>245,814</u> |
| Operating expenses | | | |
| Marketing and promotion | | | |
| General | 704,969 | 894,154 | (189,185) |
| California Wine Education Foundation | 239,192 | 239,000 | 192 |
| Salaries and wages | 597,038 | 618,048 | (21,010) |
| Research | 358,806 | 58,190 | 300,616 |
| Consulting | 146,232 | 136,834 | 9,398 |
| Employee benefits | 145,380 | 143,382 | 1,998 |
| Amortization expense: | | | |
| right-of-use asset (rent) | 76,273 | 77,273 | (1,000) |
| Grower meetings | 42,508 | 48,754 | (6,246) |
| Travel and entertainment | 41,781 | 33,612 | 8,169 |
| Office expense | 40,374 | 46,337 | (5,963) |
| Dues and subscriptions | 39,731 | 52,157 | (12,426) |
| Equipment maintenance and rental | 36,288 | 31,127 | 5,161 |
| California Department of Food and Agriculture | 35,739 | 38,373 | (2,634) |
| Professional fees | 29,057 | 27,975 | 1,082 |
| Contributions | 25,000 | 10,000 | 15,000 |
| Depreciation | 15,754 | 13,055 | 2,699 |
| Insurance | 13,461 | 12,918 | 543 |
| Newsletters | 12,902 | 5,740 | 7,162 |
| Storage rent | 7,202 | 6,607 | 595 |
| Telephone | 5,627 | 6,175 | (548) |
| Personal property tax | 1,396 | 1,123 | 273 |

(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>2024</u> | <u>2023</u> | <u>Change from 2023 to 2024</u> |
|---|---------------------|---------------------|-------------------------------------|
| Operating expenses (Continued) | | | |
| Other | 509 | 447 | 62 |
| Special events | 250 | 5,000 | (4,750) |
| Bank charges | <u>193</u> | <u>155</u> | <u>38</u> |
| | <u>2,615,662</u> | <u>2,506,436</u> | <u>109,226</u> |
| California Wine Education Foundation | | | |
| Allocated operating expenses | | | |
| Salaries and wages | 186,832 | 183,438 | 3,394 |
| Employee benefits | 51,419 | 42,817 | 8,602 |
| Amortization: | | | |
| right-of-use asset (rent) | <u>50,988</u> | <u>49,988</u> | <u>1,000</u> |
| | <u>289,239</u> | <u>276,243</u> | <u>12,996</u> |
| Total operating expenses | <u>2,904,901</u> | <u>2,782,679</u> | <u>(122,222)</u> |
| Operating loss | <u>(106,968)</u> | <u>(230,560)</u> | <u>123,592</u> |
| Nonoperating revenues (expenses) | | | |
| Interest income | 53,505 | 17,023 | 36,482 |
| Interest expense | <u>(10,944)</u> | <u>(14,859)</u> | <u>3,915</u> |
| Total nonoperating revenues (expenses) | <u>42,561</u> | <u>2,164</u> | <u>40,397</u> |
| Change in net position | (64,407) | (228,396) | 163,989 |
| Net position, beginning of year | <u>1,504,933</u> | <u>1,733,329</u> | <u>(228,396)</u> |
| Net position, end of year | <u>\$ 1,440,526</u> | <u>\$ 1,504,933</u> | <u>\$ (64,407)</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>2024</u> | <u>2023</u> | <u>Change from 2023 to 2024</u> |
|--|---------------------|---------------------|-------------------------------------|
| Cash flows from operating activities | | | |
| Cash received from growers | \$ 1,742,379 | \$ 1,817,594 | \$ (75,215) |
| Cash received from other operating sources | 904,367 | 652,104 | 252,263 |
| Cash paid to suppliers/contributions | (1,944,289) | (1,999,330) | 55,041 |
| Cash paid to employees | <u>(597,038)</u> | <u>(618,048)</u> | <u>21,010</u> |
| Net cash provided by (used in) operating activities | <u>105,419</u> | <u>(147,680)</u> | <u>253,099</u> |
| Cash flows from capital and related financing activities | | | |
| Purchase of capital assets | (15,195) | (13,488) | (1,707) |
| Interest expense | (10,944) | (14,859) | 3,915 |
| Payments on lease liability | <u>(126,333)</u> | <u>(119,855)</u> | <u>(6,478)</u> |
| Net cash used in capital and related financing activities | <u>(152,472)</u> | <u>(148,202)</u> | <u>(4,270)</u> |
| Cash flows from investing activities | | | |
| Interest received | <u>53,505</u> | <u>17,023</u> | <u>36,482</u> |
| Net cash provided by investing activities | <u>53,505</u> | <u>17,023</u> | <u>36,482</u> |
| Net increase (decrease) in cash and cash equivalents | 6,452 | (278,859) | 285,311 |
| Cash and cash equivalents, beginning of year | <u>1,348,422</u> | <u>1,627,281</u> | <u>(278,859)</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,354,874</u> | <u>\$ 1,348,422</u> | <u>\$ 6,452</u> |
| Reconciliation of operating loss to net cash provided by (used in) operating activities | | | |
| Operating loss | \$ (106,968) | \$ (230,560) | \$ 123,592 |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities | | | |
| Depreciation | 15,754 | 13,055 | 2,699 |
| Amortization: right-of-use assets (rent) | 127,261 | 127,261 | - |
| Decrease (increase) in operating assets: | | | |
| Accounts receivable | (25,771) | (94,344) | 68,573 |
| Grants receivable | (125,416) | 11,923 | (137,339) |
| Prepaid expenses | 156 | 1,171 | (1,015) |
| Increase (decrease) in operating liabilities: | | | |
| Accounts payable | 219,210 | 17,476 | 201,734 |
| Accrued expenses | <u>1,193</u> | <u>6,338</u> | <u>(5,145)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 105,419</u> | <u>\$ (147,680)</u> | <u>\$ 253,099</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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023, advertising costs amounted to \$422,434 and \$597,656, 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

Not yet adopted

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement is effective for fiscal years beginning after December 15, 2023. The Commission will be required to implement the provisions of this Statement for the year ended June 30, 2025. The Commission has not determined the effect on the financial statements.

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

Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023 were \$1,180,700 and \$1,167,417, 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, 2024 and 2023 were as follows:

| | <u>Balance</u> <u>June 30, 2023</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2024</u> |
|---|--|---------------------|------------------|--|
| Depreciated capital assets | | | | |
| Equipment | \$ 22,935 | \$ - | \$ - | \$ 22,935 |
| Leasehold improvements | 80,502 | - | - | 80,502 |
| Office equipment | 77,846 | 15,195 | - | 93,041 |
| Promotional display | 3,516 | - | - | 3,516 |
| Wine trail signage | 31,375 | - | (14,686) | 16,689 |
| 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 | 852,477 | 15,195 | (14,686) | 852,986 |
| Less accumulated depreciation | (148,396) | (15,754) | 14,686 | (149,464) |
| Less accumulated amortization for leased assets | <u>(254,521)</u> | <u>(127,261)</u> | <u>-</u> | <u>(381,782)</u> |
| Total depreciated capital assets, net | <u>\$ 449,560</u> | <u>\$ (127,820)</u> | <u>\$ -</u> | <u>\$ 321,740</u> |
| | | | | |
| | <u>Balance</u> <u>June 30, 2022</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <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> |

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

Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023, the combined total retirement benefit of \$92,123 and \$92,977, 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 \$241,473 and \$362,209 at June 30, 2024 and 2023, respectively.

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 \$13,049 and \$19,573 on June 30, 2024 and 2023, respectively.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024 were as follows:

| <u>Year ending June 30,</u> | <u>Principal payments</u> | <u>Interest payments</u> | <u>Total</u> |
|-----------------------------|---------------------------|--------------------------|-------------------|
| 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>\$ 274,798</u> | <u>\$ 9,289</u> | <u>\$ 284,087</u> |

The changes in long-term debt during the year ended June 30, 2024 were as follows:

| | <u>Balance</u> | | | <u>Balance</u> | |
|-------------------|----------------------|------------------|---------------------|----------------------|------------------------|
| | <u>June 30, 2023</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2024</u> | <u>Current Portion</u> |
| Lease liabilities | \$ 401,131 | \$ - | \$ (126,333) | \$ 274,798 | \$ 133,076 |
| | <u>\$ 401,131</u> | <u>\$ -</u> | <u>\$ (126,333)</u> | <u>\$ 274,798</u> | <u>\$ 133,076</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 \$4,249 with a 2% increase annually. The total amount of rent received at June 30, 2024 was \$50,988.

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

Notes to Financial Statements

June 30, 2024 and 2023

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, 2024, 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, 2024:

| | |
|----------------------------|--------------------|
| Diego Olagaray, Chair | Phil Abba |
| Curt Gillespie, Vice Chair | Joan Kautz |
| Jacylyn Stokes, Secretary | Peter A den Hartog |
| Tom Murphy, Treasurer | Hadyn Schatz |
| | 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, 2024 and 2023:

| | <u>Amount</u> | |
|---|---------------|-------------|
| | <u>2024</u> | <u>2023</u> |
| <u>Statement of net position</u> | | |
| Accounts receivable | \$ 159,563 | \$ 96,966 |
| Accounts payable | 139,325 | - |
| <u>Statement of revenues, expenses and changes in fund net position</u> | | |
| <u>Operating revenues</u> | | |
| Management service fees | \$ 238,252 | \$ 226,255 |
| Rent | 50,988 | 49,988 |

(Continued)

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

Notes to Financial Statements

June 30, 2024 and 2023

Note H - Related Party Transactions (Continued)

| | Amount | |
|---|-------------|-------------|
| | <u>2024</u> | <u>2023</u> |
| <u>Statement of revenues, expenses and changes in fund net position</u> | | |
| <u>Operating expenses</u> | | |
| Marketing and promotion | \$ 239,192 | \$ 239,000 |
| Allocated operating expenses | | |
| Salaries | 186,832 | 183,438 |
| Employee benefits | 51,419 | 42,817 |
| Amortization: right-of-use assets (rent) | 50,988 | 49,988 |