

**THE CENTER FOR PRODUCE
SAFETY**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2019 AND 2018**

THE CENTER FOR PRODUCE SAFETY

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
The Center for Produce Safety
Woodland, California**

Report on the Financial Statements

We have audited the accompanying financial statements of The Center For Produce Safety (CPS), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center For Produce Safety as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2020, on our consideration of CPS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPS's internal control over financial reporting and compliance.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

April 2, 2020

THE CENTER FOR PRODUCE SAFETY

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,806,355	\$ 4,511,932
Grants receivable	443,341	998,256
Current portion of pledges receivable	1,230,779	1,382,000
Prepaid expenses and other current assets	60,048	35,227
Certificates of deposit	500,000	-
Total current assets	<u>7,040,523</u>	<u>6,927,415</u>
NONCURRENT ASSETS:		
Pledges receivable, net	623,145	1,628,366
Deposits	<u>2,909</u>	<u>2,909</u>
TOTAL ASSETS	<u>\$ 7,666,577</u>	<u>\$ 8,558,690</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 431,773	\$ 577,880
Refundable grant advances	<u>31,593</u>	<u>217,338</u>
Total liabilities	<u>463,366</u>	<u>795,218</u>
NET ASSETS:		
With donor restrictions	6,827,301	7,462,742
Without donor restrictions	<u>375,910</u>	<u>300,730</u>
Total net assets	<u>7,203,211</u>	<u>7,763,472</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,666,577</u>	<u>\$ 8,558,690</u>

THE CENTER FOR PRODUCE SAFETY

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Specialty Crop Program grants	\$ 1,982,272	\$ 1,738,247
Campaign for Produce Safety contributions	308,000	300,000
Symposium:		
Registration	150,642	110,330
Sponsorship	135,000	100,000
Interest and other income	45,797	2,601
Net assets released from restrictions	<u>1,445,703</u>	<u>1,071,358</u>
Total revenues	<u>4,067,414</u>	<u>3,322,536</u>
EXPENSES:		
Program services:		
Specialty Crop Program research	1,982,272	1,738,247
Campaign for Produce Safety research	1,358,497	1,008,118
Symposium	<u>286,764</u>	<u>253,653</u>
Total program services	<u>3,627,533</u>	<u>3,000,018</u>
Supporting services:		
General and administrative	337,736	312,549
Fundraising	<u>26,965</u>	<u>26,239</u>
Total supporting services	<u>364,701</u>	<u>338,788</u>
Total expenses	<u>3,992,234</u>	<u>3,338,806</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>75,180</u>	<u>(16,270)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Campaign for Produce Safety contributions	783,262	1,534,344
Other contributions	27,000	13,715
Provision for uncollectible pledges	-	(119,000)
Net assets released from restrictions	<u>(1,445,703)</u>	<u>(1,071,358)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(635,441)</u>	<u>357,701</u>
INCREASE (DECREASE) IN NET ASSETS	(560,261)	341,431
NET ASSETS, Beginning of Year	<u>7,763,472</u>	<u>7,422,041</u>
NET ASSETS, End of Year	<u>\$ 7,203,211</u>	<u>\$ 7,763,472</u>

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

THE CENTER FOR PRODUCE SAFETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services		Total Expenses
	Specialty Crop Program Research	Campaign for Produce Safety Research	Symposium	General & Administrative	Fundraising	
Research subgrants	\$ 1,878,351	\$ 1,094,580	\$ -	\$ -	\$ -	\$ 2,972,931
Professional services	34,671	-	42,648	198,523	-	275,842
Salaries and wages	60,639	72,617	33,590	60,514	12,102	239,462
Facility and hotel	-	-	166,626	10,005	-	176,631
Special projects	-	147,126	3,997	-	-	151,123
Occupancy	-	27,261	10,247	22,718	4,544	64,770
Payroll taxes and employee benefits	8,611	16,913	6,765	14,095	2,819	49,203
Travel and meetings	-	-	14,673	31,871	-	46,544
Supplies and materials	-	-	8,218	10	-	8,228
Fundraising	-	-	-	-	7,500	7,500
Total expenses	<u>\$ 1,982,272</u>	<u>\$ 1,358,497</u>	<u>\$ 286,764</u>	<u>\$ 337,736</u>	<u>\$ 26,965</u>	<u>\$ 3,992,234</u>

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

THE CENTER FOR PRODUCE SAFETY

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services		Total Expenses
	Specialty Crop Program Research	Campaign for Produce Safety Research	Symposium	General & Administrative	Fundraising	
Research subgrants	\$ 1,691,332	\$ 871,358	\$ -	\$ -	\$ -	\$ 2,562,690
Professional services	-	722	43,764	177,128	-	221,614
Salaries and wages	43,579	87,190	27,858	61,331	17,438	237,396
Facility and hotel	-	-	130,673	8,781	-	139,454
Special projects	-	4,850	8,906	-	-	13,756
Occupancy	-	30,426	9,356	15,213	6,086	61,081
Payroll taxes and employee benefits	2,475	13,572	4,072	16,555	2,715	39,389
Travel and meetings	861	-	19,825	33,118	-	53,804
Supplies and materials	-	-	9,199	423	-	9,622
Total expenses	<u>\$ 1,738,247</u>	<u>\$ 1,008,118</u>	<u>\$ 253,653</u>	<u>\$ 312,549</u>	<u>\$ 26,239</u>	<u>\$ 3,338,806</u>

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

THE CENTER FOR PRODUCE SAFETY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (560,261)	\$ 341,431
Reconciliation to net cash provided by operating activities:		
Provision for uncollectible pledges	-	119,000
Changes in:		
Grants receivable	554,915	(735,370)
Pledges receivable	1,156,442	334,898
Prepaid expenses and other current assets	(24,821)	(34,982)
Accounts payable and accrued expenses	(146,107)	140,902
Refundable grant advances	(185,745)	180,407
Net cash provided by operating activities	<u>794,423</u>	<u>346,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(2,000,000)	-
Maturities of certificates of deposit	<u>1,500,000</u>	-
Net cash used in investing activities	<u>(500,000)</u>	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	294,423	346,286
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>4,511,932</u>	<u>4,165,646</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 4,806,355</u>	<u>\$ 4,511,932</u>

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Center for Produce Safety (CPS) is a nonprofit public benefit corporation whose mission is to provide and share ready-to-use, science-based solutions to prevent or minimize produce safety vulnerabilities. CPS is a collaborative partnership that leverages the combined expertise of industry, government and the scientific and academic communities to identify the most pressing research needs, fund the most promising investigations and advance real-world solutions. CPS is primarily supported through government research grants and research contributions from members of the produce industry.

Basis of presentation – The financial statements are presented in conformity with accounting standards for not-for-profit entities. CPS reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Cash and cash equivalents – For financial statement purposes, CPS considers all investments with an initial maturity of three months or less to be cash equivalents.

Certificates of deposit are stated at cost.

Revenue recognition – Specialty Crop Program grants are received from various states under the United States Department of Agriculture’s Specialty Crop Block Grant Program. These grants are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when CPS has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Grants receivable represents amounts owed from Specialty Crop Program grants where qualifying expenses incurred exceed amounts received. Grants receivable are scheduled to be received within one year and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management believes that all grants receivable are collectible and no allowance is necessary.

CPS’s Campaign for Produce Safety contributions are used to match or supplement the Specialty Crop Program research projects received under government grants. Unconditional contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the contribution is received. Amortization of the discounts is included in contribution revenue.

All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Restricted contributions that are initially classified as conditional due to a qualifying expense barrier are recognized as net assets without donor restrictions since the restriction is met simultaneously when the condition is released and the revenue is recognized.

Symposium revenues are recognized in the year the related symposium occurs. Fees collected in advance of the symposium are recorded as deferred revenues. There were no deferred revenues at December 31, 2019 or 2018.

Income taxes – CPS is publicly supported and exempt from income taxes under Internal Revenue Code Section (IRC §) 501(c)(3) and by the California Franchise Tax Board under Section 23701(d). CPS has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

Functional allocation of expenses – Campaign for Produce Safety funds are used exclusively for research projects and are not used to pay for the administrative costs of CPS. The administrative costs are paid by unrestricted contributions and federal awards, as allowable under grants from state agencies. In order to present expenses in accordance with accounting standards for not-for-profit entities, the administrative costs have been allocated on a functional basis to program and supporting services in the statements of activities and of functional expenses. The expenses that are allocated include salaries, wages and professional services, which are allocated based on time and effort; payroll taxes and employee benefits, which are allocated based on salaries and wages; and occupancy and supplies which are allocated based on estimated usage.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates included in these financial statements are the collectability of grants and pledges receivable, and the allocation of expenses by function. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Topic 606, *Revenue from Contracts with Customers*. The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. CPS has implemented Topic 606 effective January 1, 2019 for all contracts with no effect on beginning net assets.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. CPS has implemented this accounting standard in the accompanying financial statements effective January 1, 2019. There was no effect on beginning net assets in connection with the implementation of ASU 2018-08.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2021. CPS is currently evaluating the impact this pronouncement will have on the financial statements.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Subsequent events have been reviewed through April 2, 2020, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2019 that require recognition or disclosure in the financial statements.

Reclassification – Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

CPS's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,806,355	\$ 4,511,932
Grants receivable	443,341	998,256
Certificates of deposit	500,000	
Pledges receivable	<u>1,853,924</u>	<u>3,010,366</u>
Total financial assets	7,603,620	8,520,554
Less:		
Amounts unavailable for general expenditures within one year:		
Restricted by donors (see Note 5):		
Campaign for Produce Safety research	(6,577,536)	(7,035,980)
Encouraging Young Scientists	(24,765)	(1,762)
Time restricted and scheduled to be received in excess of 1 year		(200,000)
Specialty Crop Block Grant Program advances	<u>(31,593)</u>	<u>(217,338)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 969,726</u>	<u>\$ 1,065,474</u>

As part of its liquidity management, CPS receives advances for its research grants and structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Certificates of deposits are scheduled to mature through the year to coincide with research funding needs.

3. PLEDGES RECEIVABLE

CPS recognizes pledges receivable at their estimated fair value, on a nonrecurring basis, at the time the pledge is made. Fair value is determined by calculating the net present value of the estimated future cash flows. The discount rates used in determining the net present value of pledges receivable ranged from 1.69% and 2.20% at December 31, 2019 and 2018. Management provides for probable uncollectible pledges through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. There were no pledges written off during the year ended December 31, 2019. During the year ended December 31, 2018, two pledges totaling \$119,000 were determined to be uncollectible and written off. Management believes that all remaining pledges are collectible and no allowance is necessary.

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Pledges receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Gross pledges receivable	\$ 1,867,779	\$ 3,071,000
Less: Unamortized discount	<u>(13,855)</u>	<u>(60,634)</u>
Pledges receivable, net	<u>\$ 1,853,924</u>	<u>\$ 3,010,366</u>

Pledges receivable are due to be collected as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 1,230,779	\$ 1,382,000
In one to five years	<u>623,145</u>	<u>1,628,366</u>
Pledges receivable, net	<u>\$ 1,853,924</u>	<u>\$ 3,010,366</u>

4. CONDITIONAL CONTRIBUTIONS RECEIVABLE

Conditional promises to give, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. CPS receives Specialty Crop Program government grants which limit spending to qualifying expenditures as defined in the grant agreements. Outstanding conditional promises to give subject to qualifying expenditure requirements were \$4,592,172 and \$4,128,994 at December 31, 2019 and 2018, respectively, and will be recognized as revenue as the conditions are met.

5. NET ASSETS

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Campaign for Produce Safety research	\$ 6,577,536	\$ 7,035,980
Time restricted	225,000	425,000
Encouraging Young Scientists	<u>24,765</u>	<u>1,762</u>
Total	<u>\$ 6,827,301</u>	<u>\$ 7,462,742</u>

CPS's net assets without donor restrictions include cumulative surpluses earned on its annual symposiums totaling \$124,739 and \$76,555 at December 31, 2019 and 2018, respectively. These funds have been designated by the Board of Directors to pay future symposium costs.

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

6. CONCENTRATIONS

Cash balances

CPS maintains its cash in bank deposit and money market accounts that, at times, may exceed federally insured limits. CPS has not experienced any losses in such accounts. At December 31, 2019 and 2018, CPS held deposits with financial institutions in excess of federal depository insurance limits of \$4,633,553 and \$4,450,013, respectively. Management believes CPS is not exposed to any significant credit risk related to cash.

Pledges receivable

Approximately 54% of CPS's pledges receivable are from three donors at December 31, 2019, totaling \$1,000,000. At December 31, 2018, approximately 48% of CPS's pledges receivable are from three donors, totaling \$1,500,000

Revenue

Approximately 61% of CPS's 2019 Campaign for Produce Safety contributions were from five donors, totaling \$650,000. For 2018, approximately 73% of CPS's Campaign for Produce Safety contributions were from three donors, totaling \$1,350,000.

All of CPS's government research grants were received under the Specialty Crop Block Grant Program of the United States Department of Agriculture.

7. COMMITMENTS

Research Commitments

CPS contracts with outside parties to perform the research projects funded by its Specialty Crop Program grants and produce safety program. The research commitments are treated as conditional contributions in conformity with accounting standards for not-for-profit entities and are recognized as expense when qualifying expenses are incurred. The balance of research commitments totaled \$6,013,034 and \$5,047,975 at December 31, 2019 and 2018, respectively. These projects have varying terms from twelve to thirty months.

Operating lease

CPS leases its office space under an operating lease agreement expiring in September 2021. Rental expense under this lease was \$38,982 and \$39,136 for December 31, 2019 and 2018, respectively. Future minimum lease payments are as follows:

2020	\$	40,188
2021		<u>30,816</u>
Total	\$	<u>71,004</u>

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

8. PENSION PLAN

In 2018, CPS began sponsoring a defined contribution SIMPLE IRA plan under Internal Revenue Code Section 408(p) for all eligible employees. Under the terms of the plan, CPS contributes 3% of eligible participants' salaries. In 2019 and 2018, the employer contribution totaled \$6,553 and \$6,000 respectively. Employees immediately become fully vested in CPS's contributions to the plan.

THE CENTER FOR PRODUCE SAFETY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2019

	<u>CFDA Number</u>	<u>Pass-Thru Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Agriculture:				
Speciality Crop Block Grant Program:				
Passed through California Department of Food and Agriculture:				
Characterization and mitigation of bacteriological risks associated with packing fresh-market citrus	10.170	16067	\$ 10,621	\$ 5,241
Cyclospora: Potential Reservoirs and Occurrence in Irrigation Waters	10.170	16068	24,998	21,285
Resolving postharvest harborage sites of Listeria protects Zone 1 surfaces	10.170	16069	13,482	-
Remotely-sensed and field-collected hydrological, landscape and weather data can predict the quality of surface water used for produce production	10.170	16070	15,780	13,644
Control of Listeria monocytogenes on apple through spray manifold-applied antimicrobial intervention	10.170	16071	41,227	28,139
Scientifically valid corrective actions for multiple harvest shade-house production systems	10.170	17050	144,483	139,329
Establishment of Vegetative Buffer Zones to Reduce the Risk of STEC and Salmonella Transmission from Animal Operations to Fresh Produce on Co-Managed Farms	10.170	17051	204,149	204,149
The effects of storage conditions and the microbiome of non-traditional salad ingredients on the fate of Listeria monocytogenes	10.170	17052	161,889	161,889
Preservation of Stone Fruits by Spray Application of Edible Coatings with Antimicrobial Properties	10.170	17053	14,641	7,971
Engineering and Ecological Approaches Reduce Pacific Tree Frog Intrusion into Leafy Green Agriculture	10.170	17054	52,916	52,040

THE CENTER FOR PRODUCE SAFETY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2019

	<u>CFDA Number</u>	<u>Pass-Thru Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Identifying competitive exclusion microorganisms against listeria monocytogenes From biological soil amendments by metagenomic, metatranscriptomic, and culturing approaches	10.170	18075	29,318	26,607
Simulation analysis of in-field produce sampling for risk-based sampling plan development	10.170	18076	55,632	50,055
Towards a decision-support tool for identifying and mitigating on-farm risks to food safety	10.170	18077	129,975	122,210
Illuminating the role of whole genome sequencing in produce safety	10.170	18078	51,585	48,117
Development of a model to predict the impact of sediments on microbial irrigation water quality	10.170	18079	55,306	51,463
Preventive sanitation measures for listeria monocytogenes biofilms in critical postharvest sites	10.170	18080	97,363	91,792
Listeria monocytogenes growth potential, kinetics, and factors affecting its persistence on a broad range of fresh produce	10.170	18081	80,464	74,011
Non-fouling food contact surfaces – prevention of biofilm and surface-mediated cross-contamination	10.170	18082	91,446	86,032
Verification and validation of environmental monitoring programs for biofilm control in the packing house	10.170	19061	803	-
Environmental microbial risks associated with vented produce in distribution centers	10.170	19062	771	-
Post-harvest fresh produce wash water disinfection by submerged cold plasma non-chemical continuous treatment system	10.170	19063	1,373	-
Analysis of the presence of Cyclospora in waters of the Mid-Atlantic states and evaluation of removal and inactivation by filtration	10.170	19064	803	-

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

	<u>CFDA Number</u>	<u>Pass-Thru Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Sources and prevalence of Cyclospora cayetanensis in Southeastern US irrigation water sources and growing environments	10.170	19065	1,068	-
The prevalence of Cyclospora in water and produce	10.170	19066	816	-
Passed through Florida Department of Agriculture and Consumer Services:				
Developing Cross-Assembly Phage as a Viral Indicator for Irrigation Waters	10.170	024072	12,963	12,963
Listeria whole genome sequence data reference sets are needed to allow for improved persistence	10.170	024842	197,863	197,863
Application of chitosan microparticles to eliminate foodborne pathogens in agricultural water that contacts fresh produce	10.170	024843	6,112	6,112
Modeling tools for design of science-based Listeria environmental monitoring programs and corrective action strategies	10.170	025794	187,836	185,744
Passed through Texas Department of Agriculture:				
A systematic review of listeria growth and survival on fruit and vegetable surfaces	10.170	SC-1819-30	144,547	139,653
Passed through Washington State Department of Agriculture:				
Rechargeable antimicrobial and antifouling plastics for improved cleaning and sanitation of plastic bins and totes	10.170	K2307	113,284	113,284
Fate of different Listeria monocytogenes strains on different whole apple varieties during long-term simulated commercial storage	10.170	K2546	38,758	38,758
Total U.S. Department of Agriculture			<u>1,982,272</u>	<u>1,878,351</u>
Total Expenditures of Federal Awards			<u>\$ 1,982,272</u>	<u>\$ 1,878,351</u>

THE CENTER FOR PRODUCE SAFETY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of The Center for Produce Safety (CPS) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

2. INDIRECT COST RATE

CPS has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

**Board of Directors
The Center for Produce Safety
Woodland, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Center For Produce Safety (CPS), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CPS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CPS's internal control. Accordingly, we do not express an opinion on the effectiveness of CPS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

April 2, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

**Board of Directors
The Center for Produce Safety
Woodland, California**

Report on Compliance for Each Major Federal Program

We have audited The Center For Produce Safety (CPS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on CPS's major federal program for the year ended December 31, 2019. CPS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for CPS's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CPS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for CPS's major federal program. However, our audit does not provide a legal determination of CPS's compliance.

Opinion on Major Federal Program

In our opinion, CPS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of CPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CPS's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CPS's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

April 2, 2020

THE CENTER FOR PRODUCE SAFETY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Specialty Crop Block Grant Program	10.170
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

THE CENTER FOR PRODUCE SAFETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS

None noted.