

**THE CENTER FOR PRODUCE
SAFETY**

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

**YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, 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 4, 2019, 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 Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

April 4, 2019

THE CENTER FOR PRODUCE SAFETY

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,511,932	\$ 4,165,646
Accounts receivable	998,256	262,886
Current portion of pledges receivable	1,382,000	1,252,000
Prepaid expenses and other current assets	<u>35,227</u>	<u>245</u>
Total current assets	6,927,415	5,680,777
NONCURRENT ASSETS:		
Pledges receivable, net	1,628,366	2,212,264
Deposits	<u>2,909</u>	<u>2,909</u>
TOTAL ASSETS	<u>\$ 8,558,690</u>	<u>\$ 7,895,950</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 577,880	\$ 436,978
Deferred revenue	<u>217,338</u>	<u>36,931</u>
Total liabilities	<u>795,218</u>	<u>473,909</u>
NET ASSETS:		
With donor restrictions	7,462,742	7,105,041
Without donor restrictions	<u>300,730</u>	<u>317,000</u>
Total net assets	<u>7,763,472</u>	<u>7,422,041</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,558,690</u>	<u>\$ 7,895,950</u>

THE CENTER FOR PRODUCE SAFETY

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Specialty Crop Program grants	\$ 1,738,247	\$ 1,718,649
Campaign for Produce Safety contributions	300,000	300,000
Symposium:		
Sponsorship	100,000	100,000
Registration	110,330	104,296
Interest	2,601	1,915
Net assets released from restrictions	<u>1,071,358</u>	<u>545,764</u>
Total revenues	<u>3,322,536</u>	<u>2,770,624</u>
EXPENSES:		
Program services:		
Specialty Crop Program research	1,738,247	1,718,649
Campaign for Produce Safety research	1,008,118	509,957
Symposium	<u>253,653</u>	<u>234,064</u>
Total program services	<u>3,000,018</u>	<u>2,462,670</u>
Supporting services:		
General and administrative	312,549	270,658
Fundraising	<u>26,239</u>	<u>29,620</u>
Total supporting services	<u>338,788</u>	<u>300,278</u>
Total expenses	<u>3,338,806</u>	<u>2,762,948</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(16,270)</u>	<u>7,676</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Campaign for Produce Safety contributions	1,548,059	522,678
Provision for uncollectible pledges	(119,000)	-
Net assets released from restrictions	<u>(1,071,358)</u>	<u>(545,764)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>357,701</u>	<u>(23,086)</u>
INCREASE (DECREASE) IN NET ASSETS	341,431	(15,410)
NET ASSETS, Beginning of Year	<u>7,422,041</u>	<u>7,437,451</u>
NET ASSETS, End of Year	<u>\$ 7,763,472</u>	<u>\$ 7,422,041</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

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

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services		Total Expenses
	Specialty Crop Program Research	Campaign for Produce Safety Research	Symposium	General & Administrative	Fundraising	
Research subgrants	\$ 1,718,649	\$ 320,764	\$ -	\$ -	\$ -	\$ 2,039,413
Salaries and wages	-	112,500	42,484	72,206	22,500	249,690
Professional services	-	-	27,058	132,580	-	159,638
Facility and hotel	-	-	133,493	2,612	-	136,105
Occupancy	-	29,269	8,781	14,858	5,853	58,761
Travel and meetings	-	4,588	10,459	28,968	-	44,015
Payroll taxes and employee benefits	-	6,337	1,901	18,356	1,267	27,861
Special projects	-	36,499	-	-	-	36,499
Supplies and materials	-	-	9,888	1,078	-	10,966
Total expenses	<u>\$ 1,718,649</u>	<u>\$ 509,957</u>	<u>\$ 234,064</u>	<u>\$ 270,658</u>	<u>\$ 29,620</u>	<u>\$ 2,762,948</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 341,431	\$ (15,410)
Reconciliation to net cash provided by operating activities:		
Provision for uncollectible pledges	119,000	-
Changes in:		
Accounts receivable	(735,370)	(97,788)
Pledges receivable	334,898	1,326,572
Prepaid expenses and other current assets	(34,982)	6,339
Accounts payable and accrued expenses	140,902	36,219
Deferred revenue	180,407	(74,996)
Net cash provided by operating activities	<u>346,286</u>	<u>1,180,936</u>
 NET INCREASE IN CASH	 346,286	 1,180,936
 CASH, Beginning of Year	 <u>4,165,646</u>	 <u>2,984,710</u>
 CASH, End of Year	 <u>\$ 4,511,932</u>	 <u>\$ 4,165,646</u>

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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.

Revenue recognition – Specialty Crop Program grants are received from various states under the United States Department of Agriculture’s Specialty Crop Block Grant Program. Revenue from these grants is recognized as qualifying expenses are incurred. Grant funds received in advance of qualifying expenses are recognized as deferred revenues until earned.

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.

Symposium revenues are recognized in the year the related symposium occurs. Fees collected in advance of the symposium are recorded as deferred revenues.

Accounts receivable 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 accounts are collectible and no allowance is necessary.

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.

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 receivables, collectability of pledges, and the allocation of expenses by function. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. CPS has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events have been reviewed through April 4, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in the financial statements.

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 for 2018:

Cash and cash equivalents	\$ 4,511,932
Accounts receivable	998,256
Pledges receivable	<u>3,010,366</u>
Total financial assets	8,520,554
Less:	
Amounts unavailable for general expenditures within one year:	
Restricted by donors (see Note 4):	
Campaign for Produce Safety research	(7,037,742)
Time restricted and scheduled to be received in excess of 1 year	(200,000)
Specialty Crop Block Grant Program advances	<u>(217,338)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,065,474</u>

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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.

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 2.20% and 2.51% at December 31, 2018 and 2017. 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. 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.

Pledges receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Gross pledges receivable	\$ 3,071,000	\$ 3,538,000
Less: Unamortized discount	<u>(60,634)</u>	<u>(73,736)</u>
Pledges receivable, net	<u>\$ 3,010,366</u>	<u>\$ 3,464,264</u>

Pledges receivable are due to be collected as follows:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 1,382,000	\$ 1,252,000
In one to five years	<u>1,628,366</u>	<u>2,212,264</u>
Pledges receivable, net	<u>\$ 3,010,366</u>	<u>\$ 3,464,264</u>

4. NET ASSETS

Net assets with donor restrictions consist of the following:

	<u>2018</u>	<u>2017</u>
Campaign for Produce Safety research	\$ 7,037,742	\$ 6,480,041
Time restricted	<u>425,000</u>	<u>625,000</u>
Total	<u>\$ 7,462,742</u>	<u>\$ 7,105,041</u>

CPS's net assets without donor restrictions include cumulative surpluses earned on its annual symposiums totaling \$78,742 and \$68,574 at December 31, 2018 and 2017, 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, 2018 AND 2017

5. CONCENTRATIONS

Cash balances

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

Pledges receivable

Approximately 48% of CPS's pledges receivable are from three donors at December 31, 2018, totaling \$1,500,000. At December 31, 2017, approximately 28% of CPS's pledges receivable are from two donors, totaling \$1,000,000.

Revenue

Approximately 73% of CPS's 2018 Campaign for Produce Safety contributions were from three donors, totaling \$1,350,000. For 2017, approximately 60% of CPS's Campaign for Produce Safety contributions were from four donors, totaling \$500,000.

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

6. 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 balance of research commitments totaled \$5,047,975 at December 31, 2018. 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 \$39,136 and \$37,329 for December 31, 2018 and 2017, respectively. Future minimum lease payments are as follows:

2019	\$	38,988
2020		40,188
2021		<u>30,816</u>
Total	\$	<u>109,992</u>

THE CENTER FOR PRODUCE SAFETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

7. 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 2018, the employer contribution totaled \$6,000. 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, 2018

	<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:				
Identification of novel indicator organisms to determine the risks of fecal contamination of irrigation waters	10.170	15059	46,536	45,216
Control of cross-contamination during field-pack and retail handling of cantaloupe	10.170	15060	9,788	8,346
Microbial food safety risks of reusing tail water for leafy green production	10.170	15062	1,526	
Comparative genomics analysis and physiological assessment of the avirulent Salmonella surrogate relevant to produce safety	10.170	15063	18,710	16,940
Validating a physically heat-treated process for poultry litter in industry settings using the avirulent Salmonella surrogates or indicator microorganisms	10.170	15065	31,138	27,857
Pathogen physiological state has a greater effect on outcomes of challenge and validation studies than strain diversity	10.170	15066	4,467	3,424
Listeria monocytogenes growth and survival on peaches and nectarines as influenced by stone fruit packinghouse operations, storage and transportation conditions	10.170	16065	14,623	5,826
Characterization and mitigation of bacteriological risks associated with packing fresh-market citrus	10.170	16067	81,008	76,426
Cyclospora: Potential Reservoirs and Occurrence in Irrigation Waters	10.170	16068	162,971	157,334
Resolving postharvest harborage sites of Listeria protects Zone 1 surfaces	10.170	16069	87,175	83,015
Remotely-sensed and field-collected hydrological, landscape and weather data can predict the quality of surface water used for produce production	10.170	16070	221,982	214,136
Control of Listeria monocytogenes on apple through spray manifold-applied antimicrobial intervention	10.170	16071	176,959	171,448

THE CENTER FOR PRODUCE SAFETY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2018

	<u>CFDA Number</u>	<u>Pass-Thru Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Scientifically valid corrective actions for multiple harvest shade-house production systems	10.170	17050	98,414	98,414
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	124,123	124,123
The effects of storage conditions and the microbiome of non-traditional salad ingredients on the fate of Listeria monocytogenes	10.170	17052	123,586	123,586
Preservation of Stone Fruits by Spray Application of Edible Coatings with Antimicrobial Properties	10.170	17053	83,839	83,839
Engineering and Ecological Approaches Reduce Pacific Tree Frog Intrusion into Leafy Green Agriculture	10.170	17054	71,556	71,556
Passed through Florida Department of Agriculture and Consumer Services:				
Developing Cross-Assembly Phage as a Viral Indicator for Irrigation Waters	10.170	024072	96,813	96,813
Listeria whole genome sequence data reference sets are needed to allow for improved persistence	10.170	024842	156,526	156,526
Application of chitosan microparticles to eliminate foodborne pathogens in agricultural water that contacts fresh produce	10.170	024843	45,064	45,064
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	81,443	81,443
Total U.S. Department of Agriculture			<u>1,738,247</u>	<u>1,691,332</u>
Total Expenditures of Federal Awards			<u>\$ 1,738,247</u>	<u>\$ 1,691,332</u>

THE CENTER FOR PRODUCE SAFETY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2018

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, 2018, 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 4, 2019.

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 Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

April 4, 2019

**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, 2018. 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, 2018.

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 Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

April 4, 2019

THE CENTER FOR PRODUCE SAFETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

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>
Specialty Crop Block Grant Program	10.170

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, 2018

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.