

ANNUAL FINANCIAL REPORT

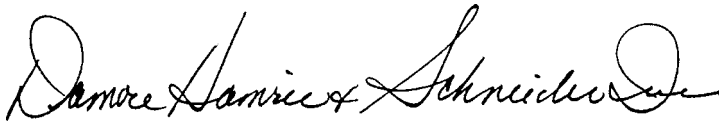
Report of Independent Certified Public Accountants

To the Board of Commissioners
of California Wheat Commission

We have audited the balance sheets of the **California Wheat Commission** as of April 30, 2003 and 2002, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Commission's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Wheat Commission as of April 30, 2003 and 2002, and the results of its operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants
July 10, 2003

CALIFORNIA WHEAT COMMISSION

BALANCE SHEETS

April 30,

<u>ASSETS</u>					
	<u>2003</u>	<u>2002</u>			
CURRENT ASSETS:					
Cash and cash equivalents	\$ <u>190,024</u>	\$ <u>217,287</u>			
Receivables:					
Assessments	\$ 9,968	18,084			
Other	\$ <u>1,772</u>	8,798			
	\$ <u>11,740</u>	26,882			
Prepaid Contracts	\$ <u>5,924</u>	0			
Prepaid Expenses	\$ <u>7,710</u>	5,626			
Total current assets	\$ 215,398	249,795			
			Property and Equip., net of Accumulated Depreciation of \$467,495 in 2003 and \$430,015 in 2002	\$ <u>347,893</u>	<u>343,677</u>
				\$ <u>563,291</u>	<u>\$593,472</u>
			<u>LIABILITIES AND RETAINED EARNINGS</u>		
				<u>2003</u>	<u>2002</u>
			CURRENT LIABILITIES:		
			Accounts Payable	\$ 12,857	\$ 5,704
			Profit Sharing Contribution Payable	22,871	20,975
			Accrued Vacation	18,868	18,087

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

ANNUAL FINANCIAL REPORT

Mortgage Payable, Current Portion	4,072	<u>3,326</u>
Total Current Liabilities	\$58,668	\$ 48,092
Mortgage Payable, Net of Current Portion	134,872	<u>139,613</u>
Total Liabilities	193,540	187,705
Retained Earnings	<u>369,751</u>	<u>405,767</u>
	<u>\$563,291</u>	<u>\$ 593,472</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS: YEARENDED APRIL 30,

	<u>2003</u>	<u>2002</u>
Assessments Revenue, Net of Refunds of \$42,292 in 2003 and \$70,923 in 2002	<u>\$597,459</u>	<u>\$ 693,087</u>
Laboratory Revenue:		
Crop Quality	\$ 10,824	\$13,965
Laboratory Analysis	30,054	51,052
Training Programs	<u>109</u>	<u>1,812</u>
	<u>\$40,987</u>	<u>66,829</u>
Other Income:		
Miscellaneous	<u>3,037</u>	<u>7,126</u>
Total Operating Revenue	<u>\$ 641,483</u>	<u>\$ 767,042</u>
Expenses:		
General and Administrative	\$ 359,600	\$ 327,754
Research Projects	91,421	102,016
Market Development	35,894	56,199
Laboratory	<u>182,329</u>	<u>167,623</u>
Total Operating Expenses	<u>\$ 669,244</u>	<u>\$ 653,592</u>
Operating Income (Loss)	\$ (27,761)	\$113,450
Other Income (Expense):		
Interest Income	\$ 4,199	\$ 4,998
Interest Expense	<u>(12,454)</u>	<u>(13,098)</u>
Total Expense	<u>\$ (8,255)</u>	<u>\$ (8,100)</u>
Net Income (Loss)	<u>\$ (36,016)</u>	<u>\$105,350</u>
Retained Earnings, Beginning of Year	<u>\$ 405,767</u>	<u>\$300,417</u>
Retained Earnings, End of Year	<u>\$ 369,751</u>	<u>\$ 405,767</u>

STATEMENTS OF CASH FLOWS YEARENDED APRIL 30,

	<u>2003</u>	<u>2002</u>
<u>Cash Flows from Operating Activities:</u>		
Operating Income (Loss)	\$(27,761)	\$113,450
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	37,480	32,609
(Increase) Decrease in:		
Receivables	15,142	5,983
Prepaid Expenses	(8,008)	180
Increase (Decrease) in:		
Accounts Payable	7,154	(675)
Contracts Payable	-----	(25,000)
Profit Sharing Contrib. Payable	1,896	337
Compensated Absences	<u>781</u>	<u>(9,894)</u>
Net Cash Provided by Operating Activities	<u>\$26,684</u>	<u>116,990</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Purchases of Property and Equipment	\$(41,696)	\$(11,417)
Payments on Mortgage Payable	(3,995)	(3,343)
Interest on Mortgage Payable	<u>(12,455)</u>	<u>(13,096)</u>
Net Cash Used by Capital and Related Financing Activities	<u>\$(58,146)</u>	<u>\$(27,856)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	<u>\$4,199</u>	<u>\$4,998</u>
Net Increase (Decrease) in Cash & Cash Equiv.	\$ (27,263)	\$ 94,132
Cash & Cash Equiv., Beginning of Year	<u>217,287</u>	<u>123,155</u>
Cash & Cash Equiv., End of Year	<u>\$190,024</u>	<u>\$ 217,287</u>
<u>Non Cash Transactions:</u>		
Retirement of Property Plant and Equipment	<u>\$0</u>	<u>\$ 15,030</u>

NOTES TO FINANCIAL STATEMENTS April 30, 2003 & 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of California Wheat Commission conform to generally accepted accounting principles as applied to government units. The following is a summary of significant accounting policies.

A. Organization and Description of the Commission - The

California Wheat Commission (Commission) is a nonprofit, nontaxable instrumentality of the State of California operating within the authority of Chapter 10, Division 22 of the Food and Agriculture Code. It was formed in 1982 for the purpose of managing a research and market development program for the California wheat industry. The Commission also conducts research into the development of wheat varieties more suitable to the domestic and export trade, as well as varieties more productive under California growing conditions.

B. Basis of Accounting - The Commission utilizes the accrual method of accounting whereby revenue is recognized when earned and expenses are recognized when incurred. The Commission applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

C. Cash and cash equivalents - For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Commission maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At April 30, 2003 and 2002, all bank balances were insured. In addition to bank accounts, the Commission has funds in a money market account with an investment broker. The balance as of April 30, 2003 and 2002 was \$51,828 and \$14,659, respectively. These funds were not insured under FDIC.

D. Short-term investments - The Commission can invest in certificates of deposit and treasury bills. These instruments are classified as short-term investments if they have maturity dates at the time of purchase of over three months and up to one year. The Commission held no short-term investments as of April 30, 2003 and 2002.

E. Assessments Receivable - The Commission's receivables consist of assessments to wheat growers located throughout California. The Commission considers assessments receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

F. Assessments Revenue - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The assessment rate was

four cents per hundred weight of wheat handled in 2003 and 2002.

G. Property and Equipment - Property and equipment are stated at cost. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight line basis. Leasehold improvements are amortized over the lives of the respective leases, including renewal options, or the service lives of the improvements, whichever is shorter. The estimated lives used in determining depreciation and amortization are:

Leasehold improvements	23 Years
Machinery and other equipment	3-10 Years
Condominium Suite	40 Years

H. Use of Estimates - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Post Retirement Benefits - The Commission provides no post retirement benefits other than pensions (see Note 4) for its employees.

J. Compensated Absences - The Commission accrues a liability for unpaid vacation in accordance with GASB 16. Vacation pay is accumulated at various rates depending on length of service.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment at April 30 consists of:

	<u>2003</u>	<u>2002</u>
Leasehold Improvements	\$ 160,090	\$ 160,090
Laboratory Equipment	395,861	354,165
Office Equipment	59,437	59,437
Condominium Suite	<u>200,000</u>	<u>200,000</u>
	815,388	773,692
Less Accumulated Depreciation	<u>467,495</u>	<u>430,015</u>
	<u>\$ 347,893</u>	<u>\$ 343,677</u>

NOTE 3 MORTGAGE PAYABLE

Mortgage note payable to bank at 9.02% per annum; payable in monthly installments of \$1,370 through October 5, 2009. A final installment of \$106,811 is due November 5, 2009. The condominium suite is pledged as collateral for the note.

	\$138,944
Less: Portion due within one year	<u>4,072</u>
Long-Term Portion	<u>134,872</u>

Year ending April 30

2003	\$ 4,072
2004	4,455
2005	4,874
2006	5,332
2007	5,833
Thereafter	<u>114,378</u>
Total min. payments required	<u>\$ 138,944</u>

NOTE 4 PENSION PLAN

The Commission sponsors a defined contribution profit sharing 401(k) plan. Employees who are at least 20 years of age and have completed 1,000 hours of service are eligible to participate in the Plan. Participants vest in the Plan as follows:

<u>Years of service</u>	<u>Percent Vested</u>
1	33.33%
2	66.67%
3	100.00%

The Plan provides that the Commission make annual contributions at 10% of total annual compensation paid to all participants. Total pension expense for the years ended April 30, 2003 and 2002 was \$22,871 and \$21,923, respectively. Employees may also elect to make additional individual contributions.

NOTE 5 COMMITMENTS

The Commission has entered into contract commitments whose terms exceed the Commission's year end. As of April 30, 2003 and 2002, remaining commitments totaled \$42,306 and \$32,306, respectively.

NOTE 6 CONTINGENCY

The California Wheat Commission is subject to a re-approval hearing in the fifth year following the effective date of the marketing order and every five years thereafter. At that time, it is determined if the program is meeting the declared objectives and if it will be renewed for the following five years. The commission was reconfirmed by voting referendum in January 2003. The next referendum

will be in 2008.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Commissioners
California Wheat Commission

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the **California Wheat Commission** as of and for the year ended April 30, 2003, which is presented in the preceding section of this report. The statement of general and administrative expenses shown below is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAMORE, HAMRIC & SCHNEIDER, INC.

Certified Public Accountants

July 10, 2003

**STATEMENT OF GENERAL AND ADMINISTRATIVE
EXPENSES FOR THE FISCAL YEAR ENDED APRIL 30,**

	<u>2003</u>	<u>2002</u>
Salaries	\$ 138,127	\$ 126,872
Payroll Taxes and Employee Benefits	25,536	22,658
Publications	22,300	20,085
California Association of Wheat Growers	40,000	35,000
Staff Expenses	17,540	13,990
Commissioners' Expenses	12,330	15,677
Office Expenses	11,340	12,907
Insurance	17,952	15,751
Utilities	6,527	5,311
Occupancy	8,666	10,155
Legal and Accounting	6,931	10,294
California Dept. of Food and Agriculture	6,831	6,445
Referendum Expenses	4,627	----
Foundation Development Expenses	3,413	----
Depreciation	<u>37,480</u>	<u>32,609</u>
	<u>\$ 359,600</u>	<u>\$ 327,754</u>

