

CALIFORNIA WHEAT COMMISSION

Financial Statements
Supplementary Information
and
Independent Auditor's Report

For the Fiscal Years Ended April 30, 2013 and 2012

California Wheat Commission

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April 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of California Wheat Commission

We have audited the accompanying financial statements of the California Wheat Commission as of and for the fiscal years ended April 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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 opinions 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Wheat Commission as of April 30, 2013 and 2012, and the changes in financial position, and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted Management’s Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

August __, 2013

California Wheat Commission

STATEMENTS OF NET POSITION

April 30, 2013 and 2012

ASSETS

<u>Current Assets:</u>	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 123,037	\$ 565,324
Investments	\$ 954,173	\$ 631,984
Receivables:		
Assessments	\$ 14,460	\$ 15,892
Related Party Receivable, Current Portion		700
Other	3,552	3,146
	<u>\$ 18,012</u>	<u>\$ 19,738</u>
Prepaid Contracts	\$ 68,793	\$ 77,286
Prepaid Expenses	8,645	15,516
	<u>\$ 77,438</u>	<u>\$ 92,802</u>
 Total Current Assets	 <u>\$ 1,172,660</u>	 <u>\$ 1,309,848</u>
Investments	\$ 400,000	\$ 402,754
Property and Equipment, Net of Accumulated Depreciation	189,267	224,945
Related Party Receivable, Net of Current Portion		1,400
	<u>\$ 589,267</u>	<u>\$ 629,099</u>
 Total Non-Current Assets	 <u>\$ 589,267</u>	 <u>\$ 629,099</u>
 Total Assets	 <u>\$ 1,761,927</u>	 <u>\$ 1,938,947</u>

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

California Wheat Commission

STATEMENTS OF NET POSITION

April 30, 2013 and 2012

LIABILITIES AND NET POSITION

<u>Current Liabilities</u>	<u>2013</u>	<u>2012</u>
Accounts Payable	\$ 12,389	\$ 22,179
Pension Payable	31,962	24,797
Accrued Vacation	<u>32,709</u>	<u>32,204</u>
Total Liabilities	<u>\$ 77,060</u>	<u>\$ 79,180</u>
<u>Net Position:</u>		
Invested in Capital Assets, Net of Related Debt	\$ 189,267	\$ 224,945
Unrestricted	<u>1,495,600</u>	<u>1,634,822</u>
Total Net Position	<u>\$ 1,684,867</u>	<u>\$ 1,859,767</u>
Total Liabilities and Net Position	<u><u>\$ 1,761,927</u></u>	<u><u>\$ 1,938,947</u></u>

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

California Wheat Commission

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assessments Revenue, Net of Refunds of \$34,087 in 2013 and \$34,179 in 2012	\$ 941,036	\$ 1,172,369
<u>Laboratory Revenue:</u>		
Crop Quality	\$ 12,796	\$ 12,167
Laboratory Analysis	<u>30,985</u>	<u>28,003</u>
	\$ 43,781	\$ 40,170
<u>Other Income:</u>		
Miscellaneous	\$ 100	\$ 100
Total Operating Revenue	<u>\$ 984,917</u>	<u>\$ 1,212,639</u>
<u>Expenses:</u>		
General and Administrative	\$ 337,219	\$ 293,718
Research Projects	336,493	284,130
Market Development	251,595	212,255
Laboratory	206,131	205,376
Depreciation	<u>35,678</u>	<u>37,858</u>
Total Operating Expenses	<u>\$ 1,167,116</u>	<u>\$ 1,033,337</u>
Operating Income (Loss)	<u>(\$ 182,199)</u>	<u>\$ 179,302</u>
<u>Other Income:</u>		
Interest Income	\$ 7,299	\$ 10,760
Total Other Income	<u>\$ 7,299</u>	<u>\$ 10,760</u>
Change In Net Position	(\$ 174,900)	\$ 190,062
Net Position, Beginning of Year	<u>1,859,767</u>	<u>1,669,705</u>
Net Position, End of Year	<u>\$ 1,684,867</u>	<u>\$ 1,859,767</u>

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

California Wheat Commission

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 986,644	\$ 1,213,481
Payments to Employees	(416,451)	(404,305)
Payments to Suppliers	(701,744)	(624,894)
Net Cash Provided (Used) by Operating Activities	<u>(\$ 131,551)</u>	<u>\$ 184,282</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	\$	(\$ 28,743)
Decrease in Related Party Receivables	<u>1,400</u>	<u></u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 1,400</u>	<u>(\$ 28,743)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	\$ 7,299	\$ 10,760
Sale of Investments	631,984	846,302
Purchase of Investments	(951,419)	(908,265)
Net Cash Used by Investing Activities	<u>(\$ 312,136)</u>	<u>(\$ 51,203)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(\$ 442,287)	\$ 104,336
Cash and Cash Equivalents, Beginning of Year	<u>565,324</u>	<u>460,988</u>
Cash and Cash Equivalents, End of Year	<u>\$ 123,037</u>	<u>\$ 565,324</u>

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

California Wheat Commission

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2013 and 2012

Reconciliation of Operating Income/(Loss) to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	(\$ 182,199)	\$ 179,302
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	35,678	37,858
(Increase) Decrease in:		
Receivables	1,726	842
Prepaid Expenses	15,364 (35,911)
Increase (Decrease) in:		
Accounts Payable	(9,790)	8,143
Contributions Payable		(1,777)
Profit Sharing Contribution Payable	7,165 (5,816)
Compensated Absences	505	1,641
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>(\$ 131,551)</u>	<u>\$ 184,282</u>

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

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of California Wheat Commission (Commission) conform to U.S. 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 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. Financial Statements Presentation - The Commission applies all Governmental Accounting Standards (GASB) as promulgated in the GASB Codification (“the Codification”).

The Governmental Accounting Standards Board establishes standards for external financial reporting for all state and local governmental entities which requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. The Commission had no related debt at April 30, 2013 and 2012.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Financial Statements Presentation (Continued):

- *Restricted* - This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Commission had no restricted assets at April 30, 2013 and 2012.
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

C. Basis of Accounting/Measurement Focus - The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues are those revenues that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to primary operations. All other expenses are reported as non-operating expenses.

D. 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 six months or less to be cash equivalents.

E. Investments - The Commission can invest in certificates of deposits and treasury bills. Short-term investments as of April 30, 2013 consisted of a Certificate of Deposit Account Registry Service (CDARS) account and various certificates of deposit with maturity dates ranging from July 2013 through February 2014. The Commission had three long-term certificates of deposits with maturity dates ranging from June 2014 through August 2014.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

E. Investments (continued):

Short-term investments as of April 30, 2012 consisted of various CDARS accounts with maturity dates ranging from July 2012 through February 2013. The Commission had one long-term investment in a CDARS account with a maturity date of October 2013 and one certificate of deposit with Edward Jones with a maturity date of August 2013 as of April 30, 2012.

F. 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.

G. Assessments Revenue - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The assessment rates were five cents per hundred weight of wheat handled in the fiscal years ended April 30, 2013 and April 30, 2012.

H. 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

I. 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.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- J. Post Retirement Benefits - The Commission provides no post retirement benefits other than pensions (see Note 6) for its employees.
- K. 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.
- L. Use of Restricted/Unrestricted Net Assets - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to apply restricted net assets first.
- M. Operating/Non-Operating Revenue and Expenses - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are assessments to wheat growers. Operating expenses of the Commission include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- N. Comparative Data and Reclassifications - Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations. Accordingly, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS:

The Commission maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing and \$250,000 for noninterest-bearing accounts. At April 30, 2013, all balances were insured. During the year ended April 30, 2013 and 2012, the Commission was investing in Certificates of Deposit with Edward Jones with a balance of \$1,150,000 and \$200,000, respectively, of which \$1,150,000 and \$200,000 were insured. During the year ended April 30, 2013 and 2012, the Commission was also investing in the Certificate of Deposit Account Registry Service (CDARS) accounts. The balances as of April 30, 2013 and 2012 were

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued):

\$204,173 and \$833,275, respectively. These investments were also insured. The total carrying values of amounts on deposit with financial institutions as of April 30, 2013 and 2012 were as follows: cash and cash equivalents - \$123,037 and \$565,324, respectively; investments - \$1,354,173 and \$1,034,738, respectively.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a depositor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As a means of limiting its exposure to custodial credit risk, the Commission maintains its cash balances within insurance limits.

Interest Risk - As a means of limiting its exposure to interest rate risk, the Commission diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The Commission also varies investment maturity dates to ensure the Commission is able to change investment vehicles in response to changes in interest rates.

NOTE 3 RELATED PARTY TRANSACTIONS:

Between April 2002 and October 2003, funds totaling \$9,523 were advanced by the Commission to establish the Foundation. The balance of \$1,400 as of April 30, 2012, represented the amount that remained as outstanding. Of this amount, \$1,400 was not expected to be paid within one year as of April 30, 2012. The balance was paid off in 2013.

The California Department of Food and Agriculture (CDFA) provides marketing and supervision to the Commission. The Commission paid CDFA \$17,753 and \$12,646 for these services for the fiscal years ending April 30, 2013 and 2012, respectively. As of the end of the 2013 and 2012 fiscal years, amounts owed to CDFA for these services were \$1,530 and \$2,441, respectively.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 4 PROPERTY AND EQUIPMENT:

Property and equipment at April 30, 2013 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Office & Laboratory Equipment	528,469		20,521	507,948
Condominium Suite	<u>200,000</u>			<u>200,000</u>
Total Capital Assets Being Depreciated	\$ 892,877	\$	\$ 20,521	\$ 872,356
Less Accumulated Depreciation	(667,932)	(35,678)	(20,521)	(683,089)
Net Capital Assets	<u>\$ 224,945</u>	<u>(\$ 35,678)</u>	<u>\$ 0</u>	<u>\$ 189,267</u>

Depreciation expense for the year ended April 30, 2013 was \$35,678.

Property and equipment at April 30, 2012 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Office & Laboratory Equipment	500,770	28,743	1,044	528,469
Condominium Suite	<u>200,000</u>			<u>200,000</u>
Total Capital Assets Being Depreciated	\$ 865,178	\$ 28,743	\$ 1,044	\$ 892,877
Less Accumulated Depreciation	(631,118)	(37,858)	(1,044)	(667,932)
Net Capital Assets	<u>\$ 234,060</u>	<u>(\$ 9,115)</u>	<u>\$ 0</u>	<u>\$ 224,945</u>

Depreciation expense for the year ended April 30, 2012 was \$37,858.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 5 LEASES:

The Commission was committed under a noncancelable operating lease for office equipment. The future minimum operating lease commitments are as follows:

<u>Year Ending April 30,</u>		
2014	\$	515
2015		515
2016		515
2017		<u>214</u>
	<u>\$</u>	<u>1,759</u>

Total lease expense for the years ended April 30, 2013 and 2012 was \$2,298 and \$1,943.

NOTE 6 PENSION PLAN:

The Commission sponsors a defined contribution profit sharing 401(k) plan that was administered by Employee Fiduciary. 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 was \$31,962 and \$26,446 for the years ended April 30, 2013 and 2012, respectively. Employees may also elect to make additional individual contributions.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 7 BUDGETARY CONTROL:

The Commission adopts an operating budget at the beginning of each year. The following is a summary of the budgets and results for 2013:

	2013			
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues	\$ 1,057,100	\$ 1,057,100	\$ 992,216	(\$ 64,884)
Expenses	1,164,132	1,217,632	1,167,116 *	50,516

* Includes depreciation expense (unbudgeted item) of \$35,678.

The following is a summary of the budgets and results for 2012:

	2012			
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues	\$ 1,049,500	\$ 1,074,500	\$ 1,223,399	\$ 148,899
Expenses	1,158,397	1,119,397	1,033,337 *	86,060

* Includes depreciation expense (unbudgeted item) of \$37,858.

NOTE 8 COMMITMENTS:

The Commission has entered into contract commitments whose terms exceed the Commission's year end. As of April 30, 2013 and 2012, remaining commitments totaled \$153,750 and \$33,000, respectively.

NOTE 9 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 at a voting referendum in February 2013 to operate through April 2018.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 10 SUBSEQUENT EVENTS:

Management has evaluated subsequent events through _____, 2013, the date the financial statements were available.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Commissioners
of California Wheat Commission

We have audited the financial statements of the California Wheat Commission as of and for the years ended April 30, 2013 and 2012, and our report thereon dated August __, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 3 and 4. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of general and administrative expenses on the following page are 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.

August __, 2013

California Wheat Commission

STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES

For the Fiscal Years Ended April 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Salaries	\$ 199,612	\$ 186,366
Payroll Taxes and Employee Benefits	42,690	34,023
Staff Expenses	1,516	2,033
Commissioners' Meetings	12,371	8,980
Office Expenses	11,935	6,744
Office Services and Occupancy	9,956	8,311
Insurance	13,701	14,325
Condominium Fees	4,047	4,047
Professional Services	23,084	16,243
California Department of Food and Agriculture	17,753	12,646
Bad Debt	<u>554</u>	<u></u>
	<u>\$ 337,219</u>	<u>\$ 293,718</u>