

**CITRUS RESEARCH AND EDUCATION
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

**CITRUS RESEARCH AND EDUCATION
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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Bunting, Tripp & Ingley, LLP

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Independent Auditor's Report

ALSO WITH OFFICES IN
TAMPA, FLORIDA

The Board of Directors
Citrus Research and Education Foundation, Inc.
Lake Alfred, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Citrus Research and Education Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Citrus Research and Education Foundation, Inc. as of June 30, 2017 and 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of the Board of Directors presented on pages 16-17, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provided any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of Citrus Research and Education Foundation, Inc.'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 Citrus Research and Education Foundation, Inc.'s internal control over financial reporting and compliance.

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by R Ingley
Date: 2017.09.25
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Lake Wales, Florida
August 31, 2017

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Cash	\$ 684,816	\$ 371,717
Certificate of deposit	396,212	392,075
Accounts receivable - net of allowance for doubtful accounts of \$0 and \$36,844	31,056	23,555
Funds deposited in State spending account	16,718	33,574
Inventory	953	1,291
Fruit retainage certificates and stock in cooperatives	33,172	34,155
Equipment - net of accumulated depreciation of \$57,664 and \$56,852	10,343	16,812
Total assets	\$ 1,173,270	\$ 873,179
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and deposits	\$ 11,127	\$ 35,915
<u>Net Assets</u>		
Unrestricted	1,162,143	837,264
Total liabilities and net assets	\$ 1,173,270	\$ 873,179

The accompanying notes to financial statements should be read in conjunction with this statement.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<u>Support and Revenue</u>		
Fruit sales	\$ 383,632	\$ 236,492
Grove use	184,990	196,632
Pilot, plant, laboratory fees, and facility fees	168,286	208,540
Workshops	9,442	4,798
Donations and sponsorships	3,895	5,446
Interest	4,268	4,241
Book sales and miscellaneous	178	224
	754,691	656,373
<u>Expenses and Supporting Services</u>		
Agricultural operations	349,206	711,957
Workshops	11,666	6,800
Business operations	485	13,599
CREC support	66,693	106,452
Publications	1,297	295
Employee and student events	465	492
	429,812	839,595
Total expenses and supporting services		
Increase (decrease) in net assets	324,879	(183,222)
Net assets, beginning of year	837,264	1,020,486
Net assets, end of year	\$ 1,162,143	\$ 837,264

The accompanying notes to financial statements should be read in conjunction with this statement.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Agricultural Operations	Workshops/ Seminars	Business Operations	CREC Support	Publications	Employee Events	Total
Repairs	\$ 56,038	-	\$ -	\$ 17,416	\$ -	\$ -	\$ 73,454
Fertilizer	64,781	-	-	-	-	-	64,781
Allocated payroll	48,746	-	-	-	-	-	48,746
Pest management	35,591	-	-	-	-	-	35,591
Lab supplies	-	-	-	33,364	-	-	33,364
Propagation	28,682	-	-	-	-	-	28,682
Weed management	27,768	-	-	-	-	-	27,768
Irrigation	25,819	-	-	-	-	-	25,819
Utilities	22,118	-	-	-	-	-	22,118
Supplies	13,988	144	30	193	-	28	14,383
Legal and accounting	14,000	-	-	-	-	-	14,000
Equipment purchase	-	-	-	12,532	-	-	12,532
Food and beverages	5	6,708	367	386	860	437	8,763
Depreciation of equipment	6,469	-	-	-	-	-	6,469
Travel costs	-	4,668	-	-	-	-	4,668
Other expenses	-	-	58	2,802	-	-	2,860
Insurance	2,607	-	-	-	-	-	2,607
Plant removal	1,433	-	-	-	-	-	1,433
Other operating cost	751	57	30	-	293	-	1,131
Regulatory compliance	400	-	-	-	-	-	400
Entertainment	-	-	-	-	144	-	144
Seminar expense	-	89	-	-	-	-	89
Development expense	10	-	-	-	-	-	10
Total functional expenses	\$ 349,206	\$ 11,666	\$ 485	\$ 66,693	\$ 1,297	\$ 465	\$ 429,812

The accompanying notes to financial statements should be read in conjunction with this statement.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

YEAR ENDED JUNE 30, 2016

	Agricultural Operations	Workshops/ Seminars	Business Operations	CREC Support	Publications	Employee Events	Total
Fertilizer	\$ 137,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,570
Pest management	112,777	-	-	-	-	-	112,777
Repairs	94,574	-	-	18,300	-	-	112,874
Allocated payroll	122,617	-	-	32,664	-	-	155,281
Supplies	18,865	-	-	3,724	295	189	23,073
Weed management	61,570	-	-	-	-	-	61,570
Irrigation	44,991	-	-	-	-	-	44,991
Propagation	2,053	-	-	-	-	-	2,053
Other operating cost	880	270	132	3,041	-	-	4,323
Legal and accounting	-	-	13,000	-	-	-	13,000
Plant removal	45,848	-	-	-	-	-	45,848
Other expenses	36,844	-	-	-	-	-	36,844
Development expense	4,194	-	-	-	-	-	4,194
Regulatory compliance	150	-	-	-	-	-	150
Depreciation of equipment	7,043	-	-	-	-	-	7,043
Utilities	19,226	-	-	-	-	-	19,226
Food and beverages	171	4,414	467	1,402	-	303	6,757
Participant support	-	-	-	34,459	-	-	34,459
Travel costs	-	2,116	-	4,712	-	-	6,828
Insurance	2,584	-	-	-	-	-	2,584
Direct support	-	-	-	8,150	-	-	8,150
Total functional expenses	\$ 711,957	\$ 6,800	\$ 13,599	\$ 106,452	\$ 295	\$ 492	\$ 839,595

The accompanying notes to financial statements should be read in conjunction with this statement.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Operating Activities</u>		
Increase (decrease) in net assets	\$ 324,879	\$ (183,222)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Interest reinvested in certificates of deposit	(4,137)	(4,104)
Equity retains issued by fruit cooperative	-	(160)
Depreciation	6,469	7,043
Allowance for uncollectible accounts	-	36,844
Decrease (increase) in:		
Accounts receivable	(7,501)	8,201
Funds deposited in state spending account	16,856	(12,282)
Fruit pools receivable	-	20,387
Inventory	338	292
Decrease in accounts payable and deposits	(24,788)	(2,576)
Net cash provided (used) by operating activities	<u>312,116</u>	<u>(129,577)</u>
<u>Investing Activities</u>		
Redemption of retainage certificates	<u>983</u>	<u>-</u>
Net cash provided by investing activities	<u>983</u>	<u>-</u>
Net increase (decrease) in cash	313,099	(129,577)
Cash, beginning of year	<u>371,717</u>	<u>501,294</u>
Cash, end of year	<u>\$ 684,816</u>	<u>\$ 371,717</u>

The accompanying notes to financial statements should be read in conjunction with this statement.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Note A - Organization and Summary of Significant Accounting Policies

Organization

The Citrus Research and Education Foundation, Inc. (the Foundation) is a not-for-profit organization in the State of Florida and has been certified as a direct support organization of the University of Florida by the University of Florida Board of Trustees. The Foundation was incorporated January 20, 1999.

The Foundation supports the mission of the Citrus Research and Education Center (CREC) and the Institute of Food and Agricultural Sciences through support of research, extension, and teaching.

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. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions. At June 30, 2017 and 2016, all net assets are unrestricted.

Cash and Cash Equivalents

For purposes of the Statements of Financial Position and the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivables

Accounts receivables are stated at their estimated net realizable value. Management provides an allowance for doubtful accounts, equal to the estimated uncollectible amount, based on historical collection experience and review of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. It is reasonably possible that the estimate of the allowance for doubtful accounts will change. No allowance for doubtful allowance was provided for June 30, 2017. Management provided an allowance for doubtful accounts of \$36,844 for June 30, 2016.

Inventory

Inventory consists of publications held for resale and is valued at cost or, in the case of donated items, at fair value at date of donation.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2017 AND 2016

Note A - Organization and Summary of Significant Accounting Policies - Continued

Fruit Retainage Certificates and Cooperative Stock

These investments are recorded at cost and consist of stock and allocated surplus of an agriculture cooperative and an electric cooperative.

Equipment

Equipment is stated at cost. Depreciation is computed using accelerated methods over the estimated useful lives of the related assets. The Foundation capitalizes grove equipment costing greater than \$5,000. Equipment purchases below this amount are expensed as incurred.

Equipment at June 30, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Tractor and mowers	\$ 24,378	\$ 24,378
Irrigation	-	5,657
Grove equipment	22,346	22,346
Sprayers	21,283	21,283
	<hr/>	<hr/>
Total	68,007	73,664
Less: accumulated depreciation	(57,664)	(56,852)
	<hr/>	<hr/>
	\$ 10,343	\$ 16,812
	<hr/>	<hr/>

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of an asset to future net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

Revenue Recognition

The Foundation recognizes fruit income when received or when credited to their account at their fruit processor, or, in the case of fruit pools maintained by the fruit processor, when a reasonable estimate of value has been made. Because of uncertainties in measurement, no recognition is made of the value of growing or unharvested fruit on trees.

Revenue from workshops and seminars as well as other revenue is recognized when received or credited.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2017 AND 2016

Note A - Organization and Summary of Significant Accounting Policies - Continued

Donated Goods and Services

The Foundation occupies office space at the University of Florida and is assisted by employees of the University at no charge to the Foundation. Additionally, the Foundation receives donated services from the officers and members of the Board of Directors assisting the Foundation in research and education programs. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition has not been satisfied.

Functional Allocation Expenses

The costs of providing the Foundation's various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status and Positions

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal and state income taxes on exempt income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Although organizations exempt under Section 501(c)(3) pay no tax on their exempt function income, they can be liable for business tax on income they earn from activities not related to their exempt purpose. For the years ended June 30, 2017 and 2016, management believes the Foundation engaged in no activities that were not related to their exempt purpose.

The Foundation has adopted Accounting Standards Codification 740-10 as it relates to uncertain tax positions. When applicable, any interest and penalties recognized as associated with a tax position are classified as current in the Foundation's financial statements.

Management has evaluated its tax positions taken for all open tax years. Currently, the 2013- 2016 tax years are open and subject to examination by the Internal Revenue Service. The Foundation is not currently under audit, nor has it been contacted by this jurisdiction. Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provisions for the effects of uncertain tax positions has been recorded for the years ended June 30, 2017 and 2016.

Date of Management Review

Subsequent events were evaluated through August 31, 2017, which is the date the financial statements were available to be issued.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2017 AND 2016

Note B - Certificate of Deposit

The Foundation has a certificate of deposit with a local bank which has a maturity date of July 14, 2018.

Note C - Leases

The Foundation leases citrus groves from governmental entities and a private individual. The Foundation pays all expenses of caretaking for these groves and uses revenues generated by fruit sales in furtherance of its mission. In addition to generating income, these groves are used for applied research purposes. The leases contain nominal fees in their lease agreements. Fees are routinely waived by the entities or individuals leasing groves to the Foundation.

Groves operated under lease include the following:

Four leases with the University of Florida, a related party, totaling 467 acres of lands located in Polk and Hillsborough Counties. Approximately 207 acres are planted in citrus, 72 are unplanted, and the remainder are utilized by the Citrus Research and Education Center for other purposes. The leases have various terms and nominal payments that are waived each year by the University.

A 196 acre grove in Highlands County, Florida leased for 37 years from the Florida Fish and Wildlife Conservation Commission.

A 20 acre grove in Polk County, Florida, leased from an individual. This is an annual lease where the Foundation has agreed to pay an amount equal to the yearly ad valorem taxes assessed.

Four groves totaling 103 acres in Polk County, Florida leased from Eagle Ridge Properties, Inc., a corporation wholly-owned by the University of Florida Foundation, Inc., a related party. This lease has a 41 year lease term.

Note D - Related Parties

The Board of Directors of the Foundation includes members of the agricultural industry. These members and their affiliated organizations may be included among the customers purchasing the Foundation's products or benefiting from research sponsored by it.

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2017 AND 2016

Note D - Related Parties - Continued

The Foundation maintains a spending account at the University of Florida so that payment of common expenses of the Foundation and the University are centralized. Activity during the years ended June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 33,574	\$ 21,289
Transferred in	66,000	227,299
Transferred out	<u>(82,856)</u>	<u>(215,014)</u>
Balance - end of year	<u>\$ 16,718</u>	<u>\$ 33,574</u>

Substantially all of the revenue derived from grove use, the pilot plant, and laboratory fees are attributable to services provided to the Institute of Food and Agricultural Sciences of the University of Florida.

Note E - Fair Value of Financial Instruments

Due to their short duration, the Foundation estimates that the fair value of all financial instruments at June 30, 2017 and 2016, does not differ materially from the aggregate carrying values of its instruments recorded in the accompanying Statements of Financial Position.

Note F - Investments in Fruit and Electric Cooperatives

Investment in fruit cooperatives consist of stock and equity retain certificates in Haines City Citrus Growers Association (Association) and its related cannery. These investments are stated at cost. Equity retains represent earnings that have been withheld, or retained, by the Association for capital needs. They are redeemed, without interest, at the option of the Association.

Investment activity involving cooperative stock and retains for the years ended June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Opening balance	\$ 31,155	\$ 30,995
Retains issued (redeemed)	<u>(983)</u>	<u>160</u>
Ending balance	<u>\$ 30,172</u>	<u>\$ 31,155</u>

The Foundation has \$3,000 on deposit with the Glades Electric Cooperative for electrical service to one of the citrus groves. This membership capital deposit is combined on the Statements of Financial Position with the above fruit cooperative stock under the caption "Fruit retainage certificates and stock in cooperatives".

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2017 AND 2016

Note G - Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances at banks and receivables and fruit pools which are due from the Foundation's fruit processors and brokers. Management reviews the fruit accounts regularly and believes that its credit risk exposure is limited. It has been determined that the Foundation's cash balances qualify as public deposits that are fully collateralized at the depository institutions as reported by the Florida Department of Financial Services.

Bunting, Tripp & Ingley, LLP

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ALSO WITH OFFICES IN
TAMPA, FLORIDA

Independent Auditor's 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

The Board of Directors
Citrus Research and Education Foundation, Inc.
Lake Alfred, Florida

We have audited, in accordance with 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 Citrus Research and Education Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R Ingley Digitally signed
by R Ingley
Date: 2017.09.25
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Lake Wales, Florida
August 31, 2017

SUPPLEMENTAL INFORMATION

CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

BOARD OF DIRECTORS

JUNE 30, 2017

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CITRUS RESEARCH AND EDUCATION FOUNDATION, INC.

BOARD OF DIRECTORS - CONTINUED

JUNE 30, 2017

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