

# **National Processed Raspberry Council**

Financial Statements with  
Independent Auditor's Report

Period of Inception July 23, 2013 through September 30, 2014

Larson Gross 

# National Processed Raspberry Council

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## Independent Auditor's Report

To the Directors  
National Processed Raspberry Council  
Lynden, Washington

### Report on the Financial Statements

We have audited the accompanying financial statements of National Processed Raspberry Council (a Washington nonprofit corporation), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the period of inception July 23, 2013 through September 30, 2014, 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 audit. We conducted our audit 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 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 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 National Processed Raspberry Council as of September 30, 2014, and the changes in its net assets and its cash flows for the period of inception July 23, 2013 through September 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015 on our consideration of National Processed Raspberry Council' 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 National Processed Raspberry Council' internal control over financial reporting and compliance.

*Larson Gross PLLC*

Bellingham, Washington  
February 4, 2015

National Processed Raspberry Council

**Statement of Financial Position**

September 30, 2014

**Assets**

**Assets**

Cash and cash equivalents	\$ 832,807
Accounts receivable, net of \$16,168 allowance for doubtful accounts	1,235,513
Prepaid expense	<u>820</u>

**Total assets** \$ 2,069,140

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 17,034
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**Net assets, unrestricted** 2,052,106

**Total liabilities and net assets** \$ 2,069,140

National Processed Raspberry Council

**Statement of Activities**

Period of Inception July 23, 2013 through September 30, 2014

**Revenues**

Import assessments	\$ 1,222,422
Domestic assessments	1,650,624
Other income	8,080
Interest income	<u>63</u>
Total revenues	2,881,189

**Expenses**

Program services	482,955
Supporting services	<u>346,128</u>
Total expenses	<u>829,083</u>

**Increase in net assets**

2,052,106

Net assets, at inception July 23, 2013

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**Net assets**, end of period

\$ 2,052,106

National Processed Raspberry Council

**Statement of Functional Expenses**

Period of Inception July 23, 2013 through September 30, 2014

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Outreach and trade shows	\$ 247,071	\$ -	\$ 247,071
Contract services - marketing and research	150,456	-	150,456
Initial set-up and implementation fee from USDA	-	104,411	104,411
General administration	-	67,024	67,024
USDA user fees	-	61,396	61,396
Contract services - general administration	-	60,000	60,000
Legal expense	23,390	23,390	46,780
Other - marketing and research	39,088	-	39,088
Council identity and branding	-	18,000	18,000
Bad debt expense	16,168	-	16,168
Travel and meetings	6,465	8,080	14,545
Bank fees	-	1,951	1,951
Insurance and bonding	317	1,231	1,548
Office equipment	-	645	645
<b>Total expenses</b>	<u>\$ 482,955</u>	<u>\$ 346,128</u>	<u>\$ 829,083</u>

National Processed Raspberry Council

**Statement of Cash Flows**

Period of Inception July 23, 2013 through September 30, 2014

<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 2,052,106
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Increase in assets	
Accounts receivable	(1,235,513)
Prepaid expense	(820)
Increase in liabilities	
Accounts payable	<u>17,034</u>
<b>Net cash provided by operating activities</b>	832,807
Cash and cash equivalents, at inception July 23, 2013	<u>-</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 832,807</u></u>

**Notes to Financial Statements**

September 30, 2014

**Note 1 - Organization and Operations**

The National Processed Raspberry Council (the Council) is a Washington State organization that conducts nutrition research on the health and wellness benefits of raspberries and promotes the consumption of processed raspberries to consumers and food manufacturers.

The Council is authorized under the Commodity Promotion, Research and Information Act and operates under the auspices of the U.S. Department of Agriculture (USDA). All Council activity and actions are overseen and approved by the USDA's Agricultural Marketing Service.

The Council and its programs are funded by mandatory assessments on domestic production of red raspberries for processing and imports of processed red raspberries. The collection of assessments under the program became effective in September 2012. The Council began operations in July 2013 following a multi-year process to unite the raspberry industry under one organization.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of presentation** – The Council reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Council does not have any temporarily or permanently restricted net assets at September 30, 2014.

**Cash and cash equivalents** – The Council considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The banking institution where all cash is deposited has agreed to pledge collateral in an amount sufficient to cover all of the Council's deposited funds in excess of applicable FDIC insurance limits.

**Accounts receivable** – Accounts receivable are stated at net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Council bases its estimates of doubtful accounts on several factors. These factors include the Council's prior experience collecting receivables, the aging of the receivables at year end, and management's appraisal of current economic conditions. The allowance for doubtful accounts totaled \$16,168 as of September 30, 2014.

**Federal income tax** – The Council is exempt from federal income tax under Internal Revenue Code Section 501(c)(1) *Corporation organized under Act of Congress*. As an instrumentality of the United States, the Council is not required to submit an annual tax return.

**Revenue recognition** – The Council recognizes revenue upon billing of domestic and import assessments. The Council did not receive any donations during the period ended September 30, 2014.

**Donated goods and services** – Donations of goods are recorded as support at their estimated fair market value at the date of donation. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased. Services of volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition under FASB ASC 958.

**Notes to Financial Statements**

September 30, 2014

**Note 2 - Summary of Significant Accounting Policies** - (Continued)

**Advertising** - Advertising costs are expensed as incurred. Advertising expense totaled \$29,703 for the period of inception on July 23, 2013 through September 30, 2014.

**USDA user fees** - The USDA's Agricultural Marketing Service charges a monthly fee for oversight services provided to the Council. Those fees are expensed in the month that the service is received.

**Allocation of functional expenses** - Expenses that benefit more than one function are allocated based on time or percentage of resources consumed, as estimated by management.

**Use of estimates** - The preparation of the Council's financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**Subsequent events** - In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through February 4, 2015, the date the financial statements were available to be issued.

**Note 3 - Operating Lease**

The Council leases office space on a month to month basis from a related party. Lease expense totaled \$3,750 from the period of inception, July 23, 2013, through September 30, 2014.

**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**

Board of Directors  
National Processed Raspberry Council  
Lynden, Washington

We have audited the financial statements of National Processed Raspberry Council as of September 30, 2014, and for the period of inception July 23, 2013 through September 30, 2014, and have issued our report thereon dated February 4, 2015. We conducted our audit 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National Processed Raspberry Council' 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 National Processed Raspberry Council' internal control. Accordingly, we do not express an opinion on the effectiveness of National Processed Raspberry Council' internal control over financial reporting.

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 statement 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 over financial reporting 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 National Processed Raspberry Council' financial statements are free of 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 statements 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 person.

*Larson Gross PLLC*

Bellingham, Washington  
February 4, 2015