

National Processed Raspberry Council

Financial Statements with
Independent Auditor's Report

Year Ended September 30, 2015 and
Period of Inception July 23, 2013
through September 30, 2014, as restated

Larson Gross 

National Processed Raspberry Council

Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to Financial Statements	7-9
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 <i>Government Auditing Standards</i>	10-11

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 the National Processed Raspberry Council (a Washington nonprofit corporation), which comprise the statements of financial position as of September 30, 2015 and 2014 (as restated), and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2015 and period of inception July 23, 2013 through September 30, 2014 (as restated), 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, 2015 and 2014, and the changes in its net assets and its cash flows for the year and period then ended 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 March 10, 2016 on our consideration of the National Processed Raspberry Council'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 the National Processed Raspberry Council's internal control over financial reporting and compliance.

Larson Gross PLLC

Bellingham, Washington
March 10, 2016

National Processed Raspberry Council

Statements of Financial Position

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> (As Restated)
Assets		
Assets		
Cash and cash equivalents	\$ 985,672	\$ 832,807
Accounts receivable, net of \$31,672 and \$-0- allowance for doubtful accounts, respectively	566,808	1,100,682
Prepaid expenses	<u>10,400</u>	<u>820</u>
Total assets	<u>\$ 1,562,880</u>	<u>\$ 1,934,309</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 15,994	\$ 17,034
Net assets, unrestricted	<u>1,546,886</u>	<u>1,917,275</u>
Total liabilities and net assets	<u>\$ 1,562,880</u>	<u>\$ 1,934,309</u>

National Processed Raspberry Council

Statements of Activities

Year Ended September 30, 2015 and Period of Inception July 23, 2013 through September 30, 2014

	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>
Revenues		
Import assessments	\$ 644,543	\$ 1,071,423
Domestic assessments	622,657	1,650,624
Other income	-	8,080
Interest income	<u>127</u>	<u>63</u>
Total revenues	1,267,327	2,730,190
Expenses		
Program services	1,407,717	466,787
Supporting services	<u>229,999</u>	<u>346,128</u>
Total expenses	<u>1,637,716</u>	<u>812,915</u>
Increase (decrease) in net assets	(370,389)	1,917,275
Net assets, beginning of year, as restated	<u>1,917,275</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,546,886</u>	<u>\$ 1,917,275</u>

National Processed Raspberry Council

Statements of Functional Expenses

Year Ended September 30, 2015 and Period of Inception July 23, 2013 through September 30, 2014

	2015			2014		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Contract services - marketing and research	\$ 579,817	\$ -	\$ 579,817	\$ 150,456	\$ -	\$ 150,456
Public relations	516,697	-	516,697	-	-	-
Outreach and trade shows	211,170	-	211,170	247,071	-	247,071
USDA user fees	-	76,740	76,740	-	61,396	61,396
Legal	20,637	37,687	58,324	23,390	23,390	46,780
Contract services - general administration	-	52,350	52,350	-	60,000	60,000
General administration	-	47,674	47,674	-	67,024	67,024
Other - marketing and research	34,981	-	34,981	39,088	-	39,088
Bad debt	31,672	-	31,672	-	-	-
Travel and meetings	12,743	5,867	18,610	6,465	8,080	14,545
Council identity and branding	-	5,500	5,500	-	18,000	18,000
Bank fees	-	3,279	3,279	-	1,951	1,951
Insurance and bonding	-	902	902	317	1,231	1,548
Initial set-up and implementation fee from USDA	-	-	-	-	104,411	104,411
Office equipment	-	-	-	-	645	645
Total expenses	\$ 1,407,717	\$ 229,999	\$ 1,637,716	\$ 466,787	\$ 346,128	\$ 812,915

National Processed Raspberry Council

Statements of Cash Flows

Year Ended September 30, 2015 and Period of Inception July 23, 2013 through September 30, 2014

	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (370,389)	\$ 1,917,275
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
(Increase) decrease in assets		
Accounts receivable	533,874	(1,100,682)
Prepaid expense	(9,580)	(820)
Increase (decrease) in liabilities		
Accounts payable	<u>(1,040)</u>	<u>17,034</u>
Net cash provided by operating activities	<u>152,865</u>	<u>832,807</u>
Net increase in cash	152,865	832,807
Cash and cash equivalents, beginning of year	<u>832,807</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 985,672</u></u>	<u><u>\$ 832,807</u></u>

Notes to Financial Statements

September 30, 2015 and 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 did not have any temporarily or permanently restricted net assets at September 30, 2015 and 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 \$31,672 and \$-0- as of September 30, 2015 and 2014, respectively.

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 years ended September 30, 2015 and 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, 2015 and 2014

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

Advertising - Advertising costs are expensed as incurred. Advertising expense totaled \$27,042 for the year ended September 30, 2015 and \$29,703 for the period of inception 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 March 10, 2016, 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 \$3,000 for the year ended September 30, 2015 and \$3,750 for the period of inception, July 23, 2013, through September 30, 2014.

National Processed Raspberry Council

Notes to Financial Statements

September 30, 2015 and 2014

Note 4 - Prior Period Adjustment

Subsequent to the issuance of the financial statements, management determined that the Council had not properly recorded accounts receivable, revenue, and program service expense in the previous year. Management corrected the misstatements in the accompanying financial statements by decreasing accounts receivable by \$134,831 as of September 31, 2014 and by decreasing import assessment revenue by \$150,999 and decreasing program service expense by \$16,168 for the period ended September 30, 2014. The following lines in the 2014 financial statements were impacted by the restatement.

	<u>As reported in 2014</u>	<u>Restatement</u>	<u>As reported in 2015</u>
Statement of Financial Position			
Accounts receivable, net	\$ 1,235,513	\$ (134,831)	\$ 1,100,682
Total assets	\$ 2,069,140	\$ (134,831)	\$ 1,934,309
Net assets, unrestricted	\$ 2,052,106	\$ (134,831)	\$ 1,917,275
Total liabilities and net assets	\$ 2,069,140	\$ (134,831)	\$ 1,934,309
Statement of Activities			
Import assessment revenue	\$ 1,222,422	\$ (150,999)	\$ 1,071,423
Total revenues	\$ 2,881,189	\$ (150,999)	\$ 2,730,190
Program services expense	\$ 482,955	\$ (16,168)	\$ 466,787
Total expenses	\$ 829,083	\$ (16,168)	\$ 812,915
Increase in net assets	\$ 2,052,106	\$ (134,831)	\$ 1,917,275
Statement of Functional Expenses			
Bad debt	\$ 16,168	\$ (16,168)	\$ -
Total expenses	\$ 829,083	\$ (16,168)	\$ 812,915
Statement of Cash Flows			
Increase (decrease) in net assets	\$ 2,052,106	\$ (134,831)	\$ 1,917,275
Change in accounts receivable	\$ 1,235,513	\$ (134,831)	\$ 1,100,682

**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**

To the Directors
National Processed Raspberry Council
Lynden, Washington

We have audited the financial statements of National Processed Raspberry Council as of September 30, 2015, and have issued our report thereon dated March 10, 2016. 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 the National Processed Raspberry Council'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 National Processed Raspberry Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the National Processed Raspberry Council's 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 the National Processed Raspberry Council's 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
March 10, 2016