

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

FINANCIAL STATEMENTS
December 31, 2016 and 2015

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North American Blueberry Council, Inc.
Folsom, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North American Blueberry Council, Inc. (the "Council"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North American Blueberry Council, Inc. as of December 31, 2016 and 2015, 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.

Propp Christensen Caniglia LLP

February 21, 2017
Roseville, California

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	ASSETS	
	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 227,322	\$ 264,085
Prepaid expenses	19,879	11,256
Accounts receivable	<u>187,701</u>	<u>97,561</u>
Total current assets	434,902	372,902
Equipment, net	3,964	7,294
Deposits	<u>4,009</u>	<u>4,009</u>
Total assets	<u>\$ 442,875</u>	<u>\$ 384,205</u>

	LIABILITIES AND NET ASSETS	
Current liabilities:		
Accounts payable	\$ 15,105	\$ 5,204
Accrued liabilities	2,427	4,385
Deferred member assessments	<u>64,890</u>	<u>56,250</u>
Total current liabilities	82,422	65,839
Unrestricted net assets	<u>360,453</u>	<u>318,366</u>
Total liabilities and net assets	<u>\$ 442,875</u>	<u>\$ 384,205</u>

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

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Member assessments	\$ 129,300	\$ 85,000
USHBC service fee income	120,000	120,000
Meeting registration fees	45,335	65,625
Other income	506	150
Interest income	<u>198</u>	<u>197</u>
 Total revenue	 <u>295,339</u>	 <u>270,972</u>
Expenses:		
Market promotion and publicity	15,005	22,134
General and administrative	194,411	175,910
Travel and meetings	<u>43,836</u>	<u>82,183</u>
 Total expenses	 <u>253,252</u>	 <u>280,227</u>
 Change in unrestricted net assets, before reimbursable costs	 42,087	 (9,255)
Reimbursable costs:		
USHBC general and administrative	569,466	509,342
USHBC travel and meetings	93,858	55,361
USHBC expense reimbursement	<u>(663,324)</u>	<u>(564,703)</u>
 Total costs, net of reimbursements	 <u>-</u>	 <u>-</u>
 Change in unrestricted net assets	 42,087	 (9,255)
 Unrestricted net assets, beginning of year	 <u>318,366</u>	 <u>327,621</u>
 Unrestricted net assets, end of year	 <u>\$ 360,453</u>	 <u>\$ 318,366</u>

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

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from members, USHBC, and others	\$ 887,256	\$ 833,673
Cash paid to vendors and employees	(924,217)	(845,251)
Interest received	198	197
	<u>(36,763)</u>	<u>(11,381)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of equipment	-	(7,280)
	<u>-</u>	<u>(7,280)</u>
Net decrease in cash	(36,763)	(18,661)
Cash, beginning of year	<u>264,085</u>	<u>282,746</u>
Cash, end of year	<u>\$ 227,322</u>	<u>\$ 264,085</u>
Reconciliation of change in unrestricted net assets to net cash used in operating activities:		
Change in unrestricted net assets	\$ 42,087	\$ (9,255)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Depreciation	3,330	1,180
Changes in operating assets and liabilities:		
Accounts receivable	(90,140)	1,345
Prepaid expenses	(8,623)	23,206
Accounts payable	9,901	(22,281)
Accrued liabilities	(1,958)	(2,426)
Deferred member assessments	8,640	(3,150)
	<u>8,640</u>	<u>(3,150)</u>
Net cash used in operating activities	<u>\$ (36,763)</u>	<u>\$ (11,381)</u>

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

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1: NATURE OF ORGANIZATION

The North American Blueberry Council, Inc. (the "Council") is a Michigan nonprofit organization incorporated in 1965. The membership is composed of members of the highbush blueberry industry in the United States and Canada, and other associate members involved in the industry. Since its inception, the Council has served as a volunteer organization funded by individual growers and organizations. The Council has conducted promotions, facilitated research and served as an industry center for cooperation and development.

In March 2000, blueberry growers approved the Blueberry Promotion, Research and Information Order and established a new organization called the U.S. Highbush Blueberry Council (the "USHBC"). USHBC is funded by all highbush blueberry growers, including importers. Many of the promotional activities that were formerly conducted by the Council are now handled by USHBC.

The Council is associated by membership with the International Blueberry Organization (the "IBO"), a non-profit organization formed for the purpose of supporting and promoting the blueberry industry internationally.

The Council continues to serve as the voice of the blueberry industry by providing members with market information and support on matters related to governmental relations, research and educational issues from its office in Folsom, California.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Council presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted assets, temporarily restricted net assets and permanently restricted net assets. No temporarily or permanently restricted net assets existed at December 31, 2016 and 2015.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Council maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2016, the Council did not have uninsured cash. At December 31, 2015, the Council's uninsured cash balance totaled \$22,945. The Council has not experienced losses in such accounts and believes it is not exposed to a significant credit risk on cash.

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist primarily of member assessments and reimbursement receivables from USHBC. Management considers accounts receivable as of December 31, 2016 and 2015 to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

Member Assessments

Dues are assessed to members based upon pounds of blueberries produced in the previous crop year. Assessments received for the current crop year are deferred and reported as revenue in the Council's following financial reporting year.

Equipment

Equipment is stated at cost or, if donated, at fair market value at date of receipt. The Council provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 5 to 10 years. Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

Donated Services

FASB ASC 958-905 requires donated services to be recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. No amounts have been reflected in the financial statements for donated services. The Council pays for most services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Council in carrying out its activities.

Income Taxes

The Council is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code and Section 23701a of the California Revenue and Taxation Code. After they are filed, the Council's tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through February 21, 2017, the date that the financial statements were available to be issued.

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3: ADMINISTRATIVE SERVICES AGREEMENT

The Council entered into an agreement with USHBC which requires the Council to provide certain administrative services. Specifically, the agreement provides that the Council will maintain the business office of USHBC, which includes managing day-to-day operations and all correspondence and financial affairs. The Council also assists in planning and implementing the budget of USHBC and in carrying out USHBC programs. In addition, the Council handles the collection and disbursement of USHBC's assessment funds.

Based on projections of staff time and involvement, most general and administrative expenses are allocated approximately 15% to the Council and 85% to USHBC. Additionally, the Council received annual service fees of \$120,000 for each of the years ended December 31, 2016 and 2015.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
USHBC expense reimbursement	\$ 183,196	\$ 88,926
Member dues	4,505	8,299
Other	-	336
Total	<u>\$ 187,701</u>	<u>\$ 97,561</u>

NOTE 5: EQUIPMENT

Equipment consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 12,792	\$ 12,792
Less accumulated depreciation	<u>(8,828)</u>	<u>(5,498)</u>
Equipment, net	<u>\$ 3,964</u>	<u>\$ 7,294</u>

Total depreciation expense was \$3,330 and \$1,180 for the years ended December 31, 2016 and 2015, respectively. Depreciation expense of \$1,665 and \$590 is allocated to the Council and reported as a component of general and administrative expenses for the years ended December 31, 2016 and 2015, respectively. In accordance with the administrative services agreement, depreciation expense of \$1,665 and \$590 was allocated to and reimbursed by USHBC for the years ended December 31, 2016 and 2015, respectively.

NORTH AMERICAN BLUEBERRY COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
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NOTE 6: RETIREMENT PLAN

Effective January 1, 2012, the Council converted a previous Simplified Employee Pension Plan to a plan under section 401(k) of the Internal Revenue Code ("401(k) plan"). The 401(k) plan covers all employees, except excluded employees, who are at least 21 years of age and have worked at least 1,000 hours during the twelve month period following the date of hire. During 2016 and 2015, the Council made a Safe Harbor non-elective contribution equal to 3% of employee's compensation. The Council may also make additional discretionary matching contributions.

Total retirement plan expense for the years ended December 31, 2016 and 2015 was \$26,932 and \$23,602, respectively. Retirement plan expense of \$2,870 and \$2,682 is allocated to the Council and reported as a component of general and administrative expenses for the years ended December 31, 2016 and 2015, respectively. In accordance with the administrative services agreement, retirement plan expense of \$24,062 and \$20,920 was allocated to and reimbursed by USHBC for the years ended December 31, 2016 and 2015, respectively.

NOTE 7: OPERATING LEASE COMMITMENT

The Council entered into an operating lease agreement for office space on April 1, 2014. The terms of the operating lease provided for monthly payments which ranged from \$4,126 to \$4,266 during 2015 and 2016, and will increase annually throughout the remainder of the five year lease term of which 90% is allocated to USHBC.

Additionally, the Council leases a copier under operating lease and maintenance agreements. The terms of the agreements provide for monthly payments of \$538, plus amounts based on usage, commencing in August 2013 and continuing for thirty-nine months, of which 90% is allocated to USHBC.

Commitments for future minimum rental payments under the remaining terms of the operating lease agreements, of which USHBC will be allocated approximately 90%, are as follows:

<u>Year Ending December 31:</u>	
2017	\$ 52,004
2018	53,403
2019	<u>22,495</u>
Total	<u>\$ 127,902</u>

Total rental expense was \$58,963 and \$58,352 for the years ended December 31, 2016 and 2015, respectively. Rental expense of \$5,896 and \$5,835 is allocated to the Council and reported as a component of general and administrative expenses for the years ended December 31, 2016 and 2015, respectively. In accordance with the administrative services agreement, rental expense of \$53,067 and \$52,517 was allocated to and reimbursed by USHBC for the years ended December 31, 2016 and 2015, respectively.