



Financial Statements
June 30, 2016

National Potato Promotion Board

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SECTION I
FINANCIAL STATEMENTS



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
National Potato Promotion Board
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the National Potato Promotion Board (the Board) dba the Potatoes USA as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board'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 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the National Potato Promotion Board as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison information for the General Fund and the MAP fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the National Potato Promotion Board's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the financial statements.

The other supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017 on our consideration of the National Potato Promotion Board'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 National Potato Promotion Board's internal control over financial reporting and compliance.



Golden, Colorado
January 3, 2017

Required Supplementary Information
Management's Discussion and Analysis

National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

This section of the Annual Financial Report of the National Potato Promotion Board (the Board), dba Potatoes USA, formerly dba the United States Potato Board, provides readers with a narrative overview and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2016. We encourage readers to consider the information presented here in conjunction with the Board's basic financial statements and notes to the financial statements, to enhance their understanding of the activities and financial health of the Board.

The Board receives assessments from potato growers and funding from the Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA) for the purpose of carrying out an effective and continuous program of marketing, research, development, advertising, and promotion to help expand existing domestic and foreign potato markets as well as to develop new or improved markets.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements consist of the following two components:

- Government-wide and Fund Financial Statements
- Notes to the Financial Statements

Because the Board has only two major funds it has presented government-wide financial and fund financial statements together with an adjustment column to show the reconciliation between the two required basic statements.

Government-wide Financial Statements. The government-wide statements are designed to provide readers with a broad overview of the Board's finances using the accrual basis of accounting. The government-wide financial statements report information on all of the activities of the Board.

The Statement of Net Position presents information on all of the Board's assets and liabilities. The difference between assets and liabilities is reported as net position.

The Statement of Activities presents information reflecting how the Board's net position has changed during the current fiscal year. All changes in net position are reported as soon as the underlying activity occurs. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Fund Financial Statements. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Traditional users of the Board's financial statements will find the fund financial statement presentation more familiar with a focus on major funds rather than fund types. All funds of the Board can be categorized as governmental funds as more fully discussed below.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should generally meet both of the following criteria: 1) total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total (assets, liabilities or expenditures/expenses) for all funds of that category or fund type (i.e. total governmental or total enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined. The general fund is always considered a major fund.

Governmental Funds. Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. The fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term obligations and similar long-term items which are recorded when due. The focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, and the MAP Fund. These two funds are considered to be major funds.

The Board adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for the Board's major funds (General Fund and MAP Fund) to demonstrate compliance with their budgets.

Notes to the Financial Statements. The notes to the basic financial statements are considered an integral part of the financial statements since they provide additional information needed to gain a full understanding of the data provided in both the government-wide and fund financial statements.

**National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Financial Highlights

- The Board’s assets exceeded its liabilities by a net position of \$9,719,754 as of June 30, 2016, reflecting a decrease of \$952,629 in net position since the year ended June 30, 2015.
- The Board’s general fund reported total ending fund balance of \$9,601,975 at June 30, 2016. Of this ending fund balance, \$2,327,834 is assigned for specific purposes by the board of directors, \$104,025 is non-spendable and \$7,170,116 is unassigned.

Revenue

General Fund

The Board collects assessments of \$.03 per hundred-weight of potatoes grown in the United States. It also receives assessments based on the fresh weight equivalent of potatoes and potato products imported from foreign countries. Interest income is earned on the Board’s reserve which is invested in short-term certificates of deposit.

The following table highlights the General Fund’s revenue for FY 2016 as compared to FY 2015:

	2016	2015
Assessment revenue	\$13,987,683	\$13,926,670
Contribution revenue	326,533	497,302
Chip Seed revenue	-	6,287
Investment income	42,145	26,588

- The Board collected total assessment revenue of \$13.9 million during the 2016 fiscal year. This is an increase of \$61,013 from fiscal year 2015.
- Investment Income is generated on the Board’s short-term investments. The Board earned \$42,145 in fiscal year 2016. This is an increase of \$15,557 from fiscal year 2015.
- The Board generated no revenue in fiscal year 2016 from seed sales of new chipping potato varieties through its NCPT fast track program.
- The Board receives contributions from major fry processors, chip processors and state potato organizations for its National Fry Processor Trials (NFPT) and National Chip Processor Trials (NCPT) programs. These programs seek to identify new potato varieties that will lower acrylamide levels. Total contributions recognized in fiscal year 2016 were \$326,533. Unspent amounts during fiscal year 2016 are reflected in Unearned Revenue.

National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Financial Highlights (Continued)

MAP Fund

The Board receives funding from the Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA) under the Market Access Program (MAP). This program provides commodity groups with funds to be used to develop foreign markets for US agricultural products. Funds received are based upon the submission of an application to FAS known as the Unified Export Strategy (UES) and an evaluation known as the Country Progress Report (CPR). The MAP fund was awarded \$4,998,822 for fiscal year 2016 of which \$4,570,786 expended, compared to \$5,092,257 for fiscal year 2015 of which \$4,831,106 was expended.

Other Grant Funds

Funding is received from FAS under the Emerging Markets Program (EMP), which is designed to facilitate basic market development work for US agricultural exports in less developed emerging markets. Funds are received through Technical Assistance for Specialty Crops (TASC), which is designed to help overcome technical barriers to exports faced by specialty crops such as potatoes. Funds are received through the Quality Samples Program (QSP), designed to pay for commercially viable samples of US agricultural products to be tested by end users in foreign countries.

Grant funds funded by USDA grants are primarily on a reimbursement basis.

Overview of the Financial Statements

In fiscal year 2016, the Board's main sources of revenue were assessments and FAS foreign market development funding, as described above.

Administrative costs are not required to be capped. However, the United States Potato Board makes every effort to keep these costs down. Administrative costs include the Board's cost to conduct program activities both domestically and internationally and to operate its administrative office.

National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Government-wide Financial Analysis

The following table reflects the condensed combined Statement of Net Position.

	Statements of Net Position June 30,	
	2016	2015
Assets:		
Cash and cash equivalents	\$ 2,476,929	\$ 1,927,931
Short-term Investments	6,576,069	8,133,815
Assessments receivable	1,184,357	1,237,062
Claims receivable	3,524,688	3,297,068
Other receivables	107,443	131,223
Prepaid expenses	104,025	198,983
Capital assets (net)	117,779	77,695
Total assets	\$ 14,091,290	\$ 15,003,777
Liabilities:		
Accounts payable	\$ 3,457,550	\$ 3,520,148
Accrued expenses	77,963	141,119
Unearned revenue	836,023	670,127
Total liabilities	4,371,536	4,331,394
Net position:		
Net investment in capital assets	117,779	77,695
Unrestricted	9,601,975	10,594,688
Total liabilities and net position	\$ 14,091,290	\$ 15,003,777

**National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Government-wide Financial Analysis (Continued)

The following table reflects the condensed combined Statement of Activities:

	Statement of Activities For the Year Ended June 30,	
	2016	2015
Revenue:		
Assessment revenues	\$ 13,987,683	\$ 13,926,670
Grant revenue	5,428,685	5,670,594
Chip Seed revenue	-	6,287
Contribution revenue	326,533	497,302
Investment earnings	42,145	26,588
Total revenue	19,785,046	20,127,441
Expenditures/expenses:		
Program	19,600,715	18,715,926
Operating	1,136,960	1,169,768
Total expenditures/expenses	20,737,675	19,885,694
Change in net position	\$ (952,629)	\$ 241,747

Capital Assets

During FY 2016, the Board acquired \$73,119 of office furniture, leasehold improvements and equipment, bringing its capital asset balance to \$117,779 net of accumulated depreciation of \$296,084.

National Potato Promotion Board
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2016

	General Fund	MAP Fund	Non-major Other Grant Funds	Total	Adjustments (Note 10)	Statement of Net Position
ASSETS						
Cash and cash equivalents	\$ 1,202,401	\$ 1,274,528	\$ -	\$ 2,476,929	\$ -	\$ 2,476,929
Short-term investments	6,576,069	-	-	6,576,069	-	6,576,069
Assessments receivable	1,184,357	-	-	1,184,357	-	1,184,357
Claims receivable	-	2,892,220	632,468	3,524,688	-	3,524,688
Accrued interest receivable	9,681	-	-	9,681	-	9,681
Other receivables	97,762	-	-	97,762	-	97,762
Due from other funds	2,520,378	-	-	2,520,378	(2,520,378)	-
Prepaid expenses	104,025	-	-	104,025	-	104,025
	<u>11,694,673</u>	<u>4,166,748</u>	<u>632,468</u>	<u>16,493,889</u>	<u>(2,520,378)</u>	<u>13,973,511</u>
Capital assets (net of accumulated depreciation):						
Office furniture	-	-	-	-	41,074	41,074
Office equipment	-	-	-	-	76,705	76,705
Total assets	<u>\$ 11,694,673</u>	<u>\$ 4,166,748</u>	<u>\$ 632,468</u>	<u>\$ 16,493,889</u>	<u>\$ (2,402,599)</u>	<u>\$ 14,091,290</u>
LIABILITIES						
Accounts payable	\$ 1,178,712	\$ 1,970,008	\$ 308,830	\$ 3,457,550	\$ -	\$ 3,457,550
Accrued expenses	77,963	-	-	77,963	-	77,963
Due to other funds	-	2,196,740	323,638	2,520,378	(2,520,378)	-
Unearned revenue	836,023	-	-	836,023	-	836,023
Total liabilities	<u>2,092,698</u>	<u>4,166,748</u>	<u>632,468</u>	<u>6,891,914</u>	<u>(2,520,378)</u>	<u>4,371,536</u>
FUND BALANCES/NET POSITION						
Fund Balances						
Non-spendable	104,025	-	-	104,025	(104,025)	-
Assigned	2,327,834	-	-	2,327,834	(2,327,834)	-
Unassigned	7,170,116	-	-	7,170,116	(7,170,116)	-
Total fund balances	<u>9,601,975</u>	<u>-</u>	<u>-</u>	<u>9,601,975</u>	<u>(9,601,975)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,694,673</u>	<u>\$ 4,166,748</u>	<u>\$ 632,468</u>	<u>\$ 16,493,889</u>		
Net Position						
Invested in capital assets					117,779	117,779
Unrestricted					9,601,975	9,601,975
Total net position					<u>\$ 9,719,754</u>	<u>\$ 9,719,754</u>

The accompanying notes are an integral part of this statement.

National Potato Promotion Board
Statement of Governmental Funds Revenues, Expenditures,
and Changes in Fund Balances/Statement of Activities
Year ended June 30, 2016

	General Fund	MAP Fund	Non-major Other Grant Funds	Total	Adjustments (Note 10)	Statement of Activities
Expenditures/expenses:						
Program	\$ 14,172,030	\$ 4,592,471	\$ 836,217	\$ 19,600,718	\$ -	\$ 19,600,718
Personnel services and benefits	422,145	-	-	422,145	-	422,145
Board travel	7,542	-	-	7,542	-	7,542
Staff and field operations travel	36,876	-	-	36,876	-	36,876
Professional services	89,299	-	-	89,299	-	89,299
Office	282,710	-	-	282,710	-	282,710
USDA user fees	130,815	-	-	130,815	-	130,815
Capital outlay	73,119	-	-	73,119	(73,119)	-
Depreciation	-	-	-	-	33,035	33,035
Other	134,538	-	-	134,538	-	134,538
Total expenditures/expenses	15,349,074	4,592,471	836,217	20,777,762	(40,084)	20,737,678
Program revenues:						
Assessments & Program Revenue	13,987,683	-	-	13,987,683	-	13,987,683
Contribution	326,533	-	-	326,533	-	326,533
Grant	-	4,592,471	836,217	5,428,688	-	5,428,688
Total program revenues	14,314,216	4,592,471	836,217	19,742,904	-	19,742,904
General revenues:						
Investment earnings	42,145	-	-	42,145	-	42,145
Total general revenues	42,145	-	-	42,145	-	42,145
Change in fund balance/net position	(992,713)	-	-	(992,713)	40,084	(952,629)
Fund balances/net position:						
Beginning of the year	10,594,688	-	-	10,594,688	77,695	10,672,383
End of the year	<u>\$ 9,601,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,601,975</u>	<u>\$ 117,779</u>	<u>\$ 9,719,754</u>

The accompanying notes are an integral part of this statement.

National Potato Promotion Board
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund - Budget Basis
Year ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues				
Assessment & program revenue	\$ 13,361,000	\$ 13,361,000	\$ 13,987,683	\$ 626,683
Contribution revenue	496,000	496,000	326,533	(169,467)
Chip Seed revenue	148,885	148,885	-	(148,885)
Interest income	18,000	18,000	42,145	24,145
Total revenues	<u>14,023,885</u>	<u>14,023,885</u>	<u>14,356,361</u>	<u>332,476</u>
Expenditures				
Program	14,216,393	15,617,869	14,172,030	1,445,839
Personnel services and benefits	455,405	455,405	422,145	33,260
Board travel	23,500	23,500	7,542	15,958
Staff travel	18,500	18,500	36,876	(18,376)
Professional services	90,000	90,000	89,299	701
Office expenses	300,833	300,833	355,829	(54,996)
USDA user fees	186,000	186,000	130,815	55,185
Other	133,254	133,254	134,538	(1,284)
Total expenditures	<u>15,423,885</u>	<u>16,825,361</u>	<u>15,349,074</u>	<u>1,476,287</u>
Excess of revenues over (under) expenditures - BUDGET BASIS	<u>\$ (1,400,000)</u>	<u>\$ (2,801,476)</u>	(992,713)	<u>\$ 1,808,763</u>
Reconciliation to Government-Wide Statements				
Capital outlay			73,119	
Depreciation			<u>(33,035)</u>	
Change in Net Position			<u>\$ (952,629)</u>	

The accompanying notes are an integral part of this statement.

National Potato Promotion Board
Statements of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – MAP Fund – Budget Basis
Year ended June 30, 2016

	Original Budget	Final Budget	YTD Actual	Variance favorable (unfavorable)
REVENUE				
Program Revenue	\$ 5,020,504	\$ 5,020,504	\$ 4,592,471	\$ (428,033)
EXPENDITURES				
Program Expenditures	5,020,504	5,020,504	4,592,471	428,033
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Basic Financial Statements

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

1. Definition of Reporting Entity

The National Potato Promotion Board dba the United States Potato Board, an instrumentality of the United States Department of Agriculture (USDA), was established by an act of Congress on January 11, 1971, to carry out an effective and continuous program of marketing, research, development, advertising, and promotion to help expand existing domestic and foreign potato markets and to develop new or improved markets.

The Board follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of voting majority of the organization's governing body, ability to impose its will on the organization, potential for organization to provide specific financial benefits or burdens and fiscal dependency. The Board does not have any component units.

The Board has implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) which established financial reporting standards for state and local governments including the establishment of the basic financial statements and required supplementary information, including Management's Discussion and Analysis.

2. Summary of Significant Accounting Policies

The more significant accounting policies of the Board are described as follows:

Government-wide and fund financial statements

Because the Board only has two major funds and one other grant fund, it has presented its government-wide financial statements and fund financial statements together with an adjustment column to show the reconciliation between the two required basic statements.

The government-wide financial statements - the Statement of Net Position and the Statement of Activities - report information on all of the activities of the Board. Interfund activity, if any, has been removed from these statements.

The government-wide financial statements are designed to distinguish functions of the Board that are principally supported by assessment revenues and operating grants (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Board has no business-type activities.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies (continued)

The primary governmental activities of the Board include the distribution of funds to promote and develop existing and new potato markets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include grants, assessments and other revenues. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues.

Since the Board does not operate any enterprise fund or internal service fund activities, there are no proprietary funds to include in this report.

The Board utilizes two types of governmental funds. The General Fund is the Board's main operating fund. It accounts for all financial resources of the Board except for those required to be accounted for in another fund. Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. The Board's Special Revenue Funds include the MAP Fund and the Other Grants Fund. These funds account for grant funding received from the Foreign Agricultural Service.

The General and MAP funds are considered to be major governmental funds and are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as expenditures when all of the eligibility and reimbursement requirements of the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Under the modified accrual basis of accounting, as used in the governmental fund financial statements, acquisition costs of capital assets are recorded as expenditures at the time of purchase and depreciation is not recognized on these capital assets.

Budgets

The Board's budget is required to be approved by the USDA. No amendments are required provided the total amount appropriated remains the same. The budget is on a basis inconsistent with US GAAP, as capital outlays are not budgeted.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Board is classified as an instrumentality of the United States Government by the Internal Revenue Service under Internal Revenue Code Section 115(a). Therefore, the Board is not subject to income taxation. Accordingly, no provision for income taxes is reflected in these financial statements. The Board is also exempt from all state and local sales taxes except for sales and excise taxes on utilities, travel and product sales to third parties.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all cash accounts and short-term investments with an original maturity of three months or less.

Short-Term Investments

Short Term investments consist of money market funds and investments in certificates of deposit. Short-term investments are carried at fair market value in the governmental funds balance sheet/ statement of net position.

Use of Estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Assessments are recognized as revenue in the period they are collected. Grant revenue is recognized as expenditures occur.

Interfund Transactions

Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund or recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund that is reimbursed. At year end, outstanding balances between funds are reported as "Due to/Due from other funds".

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$500 and a useful life of more than one year. All assets are valued at historical cost.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Office equipment	3 years
Office furniture	10 years

Net Position

In the government-wide financial statements, Net Position represents the difference between assets and liabilities. Net Position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws, or regulations of other governments.

If both restricted and unrestricted amounts of Net Position are available for use when an expense is made, it is the Board's policy to use restricted amounts first.

Fund Balances

The Board has implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a Board's fund balances more transparent.

In the fund financial statements the following classifications describe the relative strength of the spending constraints:

- *Non-spendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or it is legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of the fund balance constrained to being used for a specific purpose by external parties (such as grantors), constitutional provisions or enabling legislation. The Board has no restricted fund balance.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies (continued)

- *Committed fund balance* – The portion of fund balance constrained for specific purposes according to limitations imposed by the Board of Directors prior to the end of the fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors. The Board has no committed fund balance.
- *Assigned fund balance* – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the above criteria. The Board will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is made, it is the Board's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and then unassigned.

Subsequent Events

The Board has evaluated subsequent events through January 3, 2017, the date which the financial statements were available to be issued.

Newly Issued Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and guidance for applying fair value to certain investments and disclosure related to all fair value measurements. The Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Statement 72 is effective for financial statements for periods beginning after June 15, 2015 and early application is encouraged. The District has implemented the effect of this statement on these financial statements.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

3. Cash and Investments

The Board is required to follow the Agricultural Marketing Service (AMS) investment policy, which defines the types of investments the Board can purchase and the collateral requirements for the Board's cash and investments. The Board utilizes Merrill Lynch as its investment custodian until May 2016 and at that time moved to Zion's National Bank.

Board policy requires that there always be funds on hand sufficient to liquidate all of the outstanding obligations of the National Potato Promotion Board as of June 30 of each year after considering anticipated accounts receivable due the Board. At June 30, 2016, the Board was in compliance with this requirement.

At June 30, 2016, the carrying value of the Board's cash and investments are reflected in the financial statements as follows:

Cash and cash equivalents	\$	2,476,929
Short-term investments		6,576,069
Total cash and investments	\$	9,052,998

The Board's bank balances and short-term investments are collateralized as follows:

FDIC insured bank deposits	\$	457,501
Collateralized bank deposits		2,688,794
FDIC insured short-term investments		6,576,069
Total cash and investments	\$	9,722,364

At June 30, 2016 Short-term investments include \$1,961,319 of Certificates of Deposit (CDs) that bear interest at rates ranging from 0.340% to 0.628% with maturities to October 2016. The CDs are purchased for amounts under the FDIC insurance limits, and may be purchased at a premium or discount which adjusts interest rates to reflect current market yields. Short-term investments also include \$4,614,750 of amounts invested in a money market fund that bears interest at .34%.

Investments

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

3. Cash and Investments (continued)

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Board has the following fair value measurements as of June 30, 2016 for the following short-term investments that do not meet the Board's definition of a cash and cash equivalent:

- Certificates of Deposits of \$245,015 are valued using quoted market prices (level 1)

Interest rate risk: As means of limiting its exposure to fair value losses arising from rising interest rates, the Board's investment policy requires that all investments must have a maturity period of 1 year or less.

Custodial credit risk: As means of minimizing custodial credit risk or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, the Board's policy is to ensure that the entire balance investments is collateralized in the Board's name.

Concentration of credit risk: The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. Board policy places no limit on the amount the Board may invest in any one issuer.

4. Interfund Transactions

Due to/Due From

The Board reports interfund balances between its funds. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the balance sheets for the governmental funds. The purpose of the interfund balances are to cover cash flows until grant reimbursement is received for expenditures incurred. Interfund balances are generally expected to be repaid within one year of the financial statement date. At June 30, 2016, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount
General Fund	MAP Fund	\$ 2,196,740
General Fund	Other Grant Funds	323,638
		\$ 2,520,378

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

5. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	July 1, 2015	Additions	Retirements	June 30, 2016
Capital assets:				
Furniture & leasehold	\$ 99,093	\$ 1,110	\$ -	\$ 100,203
Equipment	241,651	72,009	-	313,660
Total capital assets	\$ 340,744	\$ 73,119	\$ -	\$ 413,863
Less accumulated depreciation:				
Furniture & leasehold	\$ 52,768	\$ 6,180	\$ -	\$ 58,948
Equipment	210,281	26,855	-	237,136
Total accumulated depreciation	\$ 263,049	\$ 33,035	\$ -	\$ 296,084
Total capital assets, net	\$ 77,695	\$ 40,084	\$ -	\$ 117,779

6. Advances to Market Access Program

The Board is the cooperator, with assistance of the USDA Foreign Agricultural Service (FAS), in receiving and managing Market Access Program (MAP) funds. The Board is responsible for properly administering approximately \$4.9 million of these funds. MAP regulations require that, after the first 90 days, the Board must first disburse the funds under the program, then request reimbursement from the U.S. government. To meet these short-term cash needs, the Board has been authorized to borrow 40% from FAS with 90 days to offset the advance with claims on behalf of the MAP fund. As of June 30, 2016, no amounts were due to FAS.

7. Retirement Plan/Deferred Compensation Plan

Effective July 1, 1990, the Board established a defined contribution profit sharing plan. The profit sharing plan covers all Board employees and requires no minimum funding standards. The employer contribution is currently 8% of employees' salaries. The profit sharing plan allows employees to contribute up to the maximum IRS limits. For the year ended June 30, 2016, the Board contributed \$168,889 to the profit sharing plan.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

8. Lease Commitments

The Board leases equipment and office space under non-cancelable operating leases that expire March 14, 2018, for an equipment lease, and March 31, 2023, for the office space lease. The Board is also responsible for its share of common operating costs on the office space lease and has an option to extend the lease another five years at the then prevailing market rate.

The Board's total lease commitments are as follows as of June 30, 2016:

Year ending June 30,		
2017	\$	153,703
2018		147,237
2019		147,353
2020		150,760
2021		154,167
Thereafter		277,671
Total	\$	<u>1,030,891</u>

Total lease expense for the year ended June 30, 2016, was \$152,941.

9. Commitment and Contingencies

The Board has contracted with independent representatives in Japan, South Korea, Hong Kong, China, Mexico, Costa Rica, Vietnam, the Philippines, Thailand and Singapore to administer the programs funded by the Market Access Program of the USDA. The contracts are for one year ranging from July 1, 2015, through June 30, 2016. Contracts are negotiated annually and are expected to be renewed for the next fiscal year.

Should the Board not properly administer the MAP fund pursuant to the MAP regulations as interpreted by the FAS, the Board's General Fund would be responsible to repay the U.S. government any of the funds that may have been improperly used. Management believes the MAP funds are being administered in accordance with MAP regulations and that any such liability is unlikely.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2016

10. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustment between Fund Balance – Total Governmental Funds and Net Position. The only elements to that adjustment pertain to capital assets and the elimination of the due to/from other funds.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. The \$117,779 adjustment to property and equipment, net of accumulated depreciation, represents the capital assets of the Board, net of accumulated depreciation.

Due to/from other funds are included within the fund financial statements but are excluded from the Government-wide Financial Statements. The \$2,520,378 adjustment to due to/from other funds represents the amounts within the Board that need to be eliminated.

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustment between the change in fund balance of the governmental funds and the change in net position of the government-wide activities. The only elements to that adjustment pertain to capital outlay and depreciation.

When the purchase of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the year they are incurred. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense, and a gain or loss is recognized for the difference between the proceeds, if any, from the disposal of those assets and their net book value. The \$73,119 adjustment represents the amount of capital assets purchased during the year and the \$33,035 adjustment represents the depreciation incurred during the year.

Other Supplementary Information

National Potato Promotion Board
Schedule of Cash Flows - General Fund
Year ended June 30, 2016

Cash flows from operating activities	
Change in fund balance	\$ (992,713)
Adjustments to reconcile change in fund balance to net cash used in operating activities	
Investment income	(42,145)
Purchase of furniture and equipment	73,119
Changes in operating assets and liabilities	
Decrease in assessments receivable	52,705
Decrease in accrued interest receivable	858
Decrease in other receivables	22,922
Increase in other prepaid expenses	(17,137)
Decrease in accounts payable	(36,879)
Increase in accrued expenses	30,414
Increase in unearned revenue	165,896
	<hr/>
Net cash used in operating activities	(742,960)
 Cash flows from capital and related financing activities	
Purchase of furniture and equipment	(73,119)
	<hr/>
Net cash used in investing activities	(73,119)
 Cash flows from investing activities	
Net proceeds of certificates of deposit	1,557,746
Investment income	42,145
Increase in due from other funds	(276,812)
	<hr/>
Net cash provided by investing activities	1,323,079
	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	507,000
 Cash and cash equivalents, beginning of year	695,401
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 1,202,401</u>

National Potato Promotion Board
Schedule of Cash Flows - MAP Fund
Year ended June 30, 2016

Cash flows from operating activities	
Change in fund balance	\$ -
Adjustments to reconcile change in fund balance to net cash used in operating activities	
Decrease in FAS claims receivable	(61,120)
Decrease in accounts payable and accrued expenses	<u>(134,897)</u>
Net cash used in operating activities	(196,017)
 Cash flows from investing activities	
Increase in due to other funds	<u>238,015</u>
Net cash used in investing activities	<u>238,015</u>
DECREASE IN CASH AND CASH EQUIVALENTS	41,998
Cash and cash equivalents, beginning of year	<u>1,232,530</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,274,528</u></u>

National Potato Promotion Board
Schedule of Program Expenditures – General Fund
Budget to Actual - Budget Basis
Year ended June 30, 2016

	Budget	Actual	Variance - Favorable (Unfavorable)
Domestic Marketing			
Consumer Marketing	\$ 1,830,000	\$ 1,965,146	\$ (135,146)
Food Service	370,000	381,780	(11,780)
Ingredients	100,000	64,222	35,778
School Nutrition and Foodservice	400,000	421,663	(21,663)
Retail Marketing	780,000	752,237	27,763
Nutrition Communications	260,000	300,263	(40,263)
Issues Management	80,000	82,872	(2,872)
International Marketing	2,755,100	2,493,340	261,760
Market Research	220,000	203,341	16,659
Program Implementation	2,540,865	2,598,859	(57,994)
Total Domestic Marketing	9,335,965	9,263,723	72,242
Research and Analysis			
Alliance for Potato Research and Education	1,000,000	1,001,426	(1,426)
Chip Research - Fast Track Variety	5,288	56,942	(51,654)
Program Implementation	161,164	149,920	11,244
SFA Co-Funding Programs	7,500	7,500	-
Snaxpo	9,000	9,000	-
Research	445,402	332,548	112,854
Third Party Support	(15,000)	(15,000)	-
Program Support	61,000	60,200	800
Travel - Program	20,000	12,462	7,538
Management - AIS	135,000	135,000	-
Communications/Printing	4,272	1,116	3,156
Travel - Board Support	18,000	11,503	6,497
Travel - AIS	16,000	6,382	9,618
Travel - Staff	45,000	27,056	17,944
Committee Meetings	25,500	13,764	11,736
Chip Postage	4,875	13,380	(8,505)
Total Research and Analysis	1,943,001	1,823,199	119,802
Communications and Policy			
PIL	500	-	500
Program Implementation	477,908	455,627	22,281
Communications	280,000	301,263	(21,263)
Policy	7,292	8,192	(900)
Partnerships	42,000	36,747	5,253
Total Communications and Policy	807,700	801,829	5,871
NCPT & NFPT	546,000	382,413	163,587
Chip Seed Auction	143,597	-	143,597
Sponsorships	4,530	4,693	(163)
Contingency Fund	25,000	9,731	15,269
Annual Meeting	149,500	85,344	64,156
Board Member	75,000	67,205	7,795
Administrative Committee	151,100	134,425	16,675
Executive Committee	122,000	104,660	17,340
Special Projects	2,311,476	1,491,658	819,818
Check-off Coalition	3,000	3,150	(150)
Total Program Expenditures	<u>\$ 15,617,869</u>	<u>\$ 14,172,030</u>	<u>\$ 1,445,839</u>

National Potato Promotion Board
Schedule of General and Administrative Expenditures - General Fund
Budget to Actual - Budget Basis
Year ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Salaries	\$ 340,950	\$ 320,904	\$ 20,046
Payroll taxes and benefits	88,053	73,040	15,013
Retirement plan	26,402	28,200	(1,798)
Travel			
Administrative committee	8,500	3,013	5,487
Executive committee	15,000	4,528	10,472
President and staff	18,500	36,876	(18,376)
Office	159,430	216,426	(56,996)
Office lease	141,403	139,403	2,000
Professional services	90,000	89,299	701
USDA user fees	186,000	130,815	55,185
Other operating			
Compliance audits	118,054	119,306	(1,252)
State collection fees	8,200	7,794	406
Miscellaneous	7,000	7,440	(440)
	<u> </u>	<u> </u>	<u> </u>
Total general and administrative expenditures - budgetary basis	<u>\$ 1,207,492</u>	1,177,044	<u>\$ 30,448</u>
Reconciliation to US GAAP basis			
Capital outlay		(73,119)	
Depreciation		<u>33,035</u>	
		<u> </u>	
Total general and administrative expenditures - per statement of activities		<u>\$ 1,136,960</u>	

National Potato Promotion Board
Schedule of Program Expenditures - MAP fund
Budget to Actual - Budget Basis
For the Year Ended June 30, 2016

Marketing Year 2015 Expenditures Incurred in Fiscal Year 2016:

	Budget	Actual	Variance - Variance
China			
Foodservice			
Trade Education	\$ 65,000	\$ 20,024	\$ 44,976
Menu Development	45,000	33,731	11,269
Menu Reverse Trade Mission	35,000	17,725	17,275
Promotions	30,000	121,522	(91,522)
Technical Training and Support	55,000	19,143	35,857
Total Foodservice	<u>230,000</u>	<u>212,145</u>	<u>17,855</u>
Retail			
Promotions	40,000	27,192	12,808
Trade Education	50,000	62,397	(12,397)
Total Retail	<u>90,000</u>	<u>89,589</u>	<u>411</u>
Ingredient			
Product Application Studies	20,000	19,577	423
Trade Education	30,000	31,121	(1,121)
Total Ingredient	<u>50,000</u>	<u>50,698</u>	<u>(698)</u>
Consumer Potato Profile Management	40,000	40,134	(134)
Market Access	4,930	3,546	1,384
Total China	414,930	396,112	18,818
Mexico			
Foodservice			
Trade Education	35,500	32,524	2,976
Menu Development	26,000	31,949	(5,949)
Menu Reverse Trade Mission	20,000	13,076	6,924
Promotions	30,000	11,936	18,064
Technical Training and Support	155,000	154,158	842
Total Foodservice	<u>266,500</u>	<u>243,643</u>	<u>22,857</u>
Retail			
Promotions	90,000	101,931	(11,931)
Trade Education	69,000	30,403	38,597
Tablestock Reverse Trade Mission	20,000	-	20,000
Total Retail	<u>179,000</u>	<u>132,334</u>	<u>46,666</u>
Ingredient			
Product Application Studies	30,000	20,904	9,096
Trade Education	65,000	60,691	4,309
Total Ingredient	<u>95,000</u>	<u>81,595</u>	<u>13,405</u>

National Potato Promotion Board
Schedule of Program Expenditures - MAP fund
Budget to Actual - Budget Basis
For the Year Ended June 30, 2016

Marketing Year 2015 Expenditures Incurred in Fiscal Year 2016:

	Budget	Actual	Variance - Variance
Consumer Potato Profile Management	56,500	86,029	(29,529)
Market Access	<u>25,000</u>	<u>26,534</u>	<u>(1,534)</u>
Total Mexico	622,000	570,135	51,865
Japan			
Foodservice			
Trade Education	160,000	370,162	(210,162)
Menu Development	180,000	25,677	154,323
Menu Reverse Trade Mission	40,000	18,654	21,346
Promotions	60,000	64,444	(4,444)
United Tastes of America	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Foodservice	<u>455,000</u>	<u>478,937</u>	<u>(23,937)</u>
Ingredient			
Product Application Studies	32,000	4,892	27,108
Trade Education	<u>120,000</u>	<u>129,683</u>	<u>(9,683)</u>
Total Ingredient	<u>152,000</u>	<u>134,575</u>	<u>17,425</u>
Consumer Potato Profile Management	35,000	60,528	(25,528)
Market Access	<u>10,000</u>	<u>543</u>	<u>9,457</u>
Total Japan	652,000	674,583	(22,583)
South Korea			
Foodservice			
Trade Education	50,000	53,658	(3,658)
Menu Development	100,000	139,608	(39,608)
Menu Reverse Trade Mission	40,000	24,765	15,235
Promotions	50,000	99,851	(49,851)
Technical Training & Support	-	25,749	(25,749)
United Tastes of America	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Foodservice	<u>265,000</u>	<u>343,631</u>	<u>(78,631)</u>
Retail			
Promotions	30,000	37,225	(7,225)
Trade Education	<u>30,000</u>	<u>30,879</u>	<u>(879)</u>
Total Retail	<u>60,000</u>	<u>68,104</u>	<u>(8,104)</u>
Ingredient			
Product Application Development	22,000	19,584	2,416
Trade Education	<u>80,000</u>	<u>89,233</u>	<u>(9,233)</u>
Total Ingredient	<u>102,000</u>	<u>108,817</u>	<u>(6,817)</u>
Consumer Potato Profile Management	42,000	43,616	(1,616)
Market Access	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total South Korea	479,000	564,168	(85,168)

National Potato Promotion Board
Schedule of Program Expenditures - MAP fund
Budget to Actual - Budget Basis
For the Year Ended June 30, 2016

Marketing Year 2015 Expenditures Incurred in Fiscal Year 2016:

	Budget	Actual	Variance - Variance
Philippines			
Foodservice			
Trade Education	45,000	91,166	(46,166)
Menu Development	55,000	100,084	(45,084)
Menu Reverse Trade Mission	40,000	27,991	12,009
Promotions	40,000	22,917	17,083
Technical and Training Support	45,000	2,287	42,713
Total Foodservice	<u>225,000</u>	<u>244,445</u>	<u>(19,445)</u>
Retail			
Promotions	55,000	41,037	13,963
Trade Education	40,000	5,431	34,569
Total Retail	<u>95,000</u>	<u>46,468</u>	<u>48,532</u>
Ingredient			
Product Application Development	52,000	249	51,751
Trade Education	50,000	108,700	(58,700)
Total Ingredient	<u>102,000</u>	<u>108,949</u>	<u>(6,949)</u>
Consumer Potato Profile Management	25,000	33,167	(8,167)
Market Access	5,000	-	5,000
Total Philippines	452,000	433,029	18,971
Taiwan			
Foodservice			
Trade Education	20,000	14,168	5,832
Menu Development	20,000	26,699	(6,699)
Menu Reverse Trade Mission	15,000	15,469	(469)
Promotions	30,000	55,329	(25,329)
Technical and Training Support	35,000	37,372	(2,372)
Total Foodservice	<u>120,000</u>	<u>149,037</u>	<u>(29,037)</u>
Retail			
Promotions	30,000	34,950	(4,950)
Trade Education	40,000	35,621	4,379
Total Retail	<u>70,000</u>	<u>70,571</u>	<u>(571)</u>
Ingredient			
Product Application Development	22,000	-	22,000
Trade Education	30,000	10,398	19,602
Total Ingredient	<u>52,000</u>	<u>10,398</u>	<u>41,602</u>
Consumer Potato Profile Management	33,000	33,510	(510)
Total Taiwan	275,000	263,516	11,484

National Potato Promotion Board
Schedule of Program Expenditures - MAP fund
Budget to Actual - Budget Basis
For the Year Ended June 30, 2016

Marketing Year 2015 Expenditures Incurred in Fiscal Year 2016:

	Budget	Actual	Variance - Variance
Thailand			
Foodservice			
Trade Education	25,000	41,294	(16,294)
Menu Development	25,000	34,095	(9,095)
Menu Reverse Trade Mission	15,000	1,982	13,018
Promotions	15,000	29,237	(14,237)
Technical and Training Support	40,000	47,354	(7,354)
Total Foodservice	120,000	153,962	(33,962)
Ingredient			
Product Application Development	22,000	21,279	721
Trade Education	35,000	42,326	(7,326)
Total Ingredient	57,000	63,605	(6,605)
Consumer Potato Profile Management	24,000	25,377	(1,377)
Market Access	5,000	-	5,000
Total Thailand	206,000	242,944	(36,944)
Indonesia			
Foodservice			
Trade Education	15,000	29,810	(14,810)
Menu Development	15,000	18,252	(3,252)
Promotions	12,000	15,558	(3,558)
Technical and Training Support	30,000	14,804	15,196
Total Foodservice	72,000	78,424	(6,424)
Ingredient			
Product Application Development	22,000	25,177	(3,177)
Trade Education	30,000	22,065	7,935
Total Ingredient	52,000	47,242	4,758
Consumer Potato Profile Management	20,000	-	20,000
Market Access	5,000	-	5,000
Total Indonesia	149,000	125,666	23,334
Malaysia			
Foodservice			
Trade Education	20,000	31,623	(11,623)
Menu Development	30,000	42,409	(12,409)
Menu Reverse Trade Mission	20,000	21,588	(1,588)
Promotions	15,000	35,688	(20,688)
Technical and Training Support	35,000	65,990	(30,990)
Total Foodservice	120,000	197,298	(77,298)
Retail			
Promotions	50,000	66,941	(16,941)
Trade Education	40,000	34,525	5,475
Total Retail	90,000	101,466	(11,466)
Ingredient			
Product Application Development	22,000	-	22,000
Trade Education	75,000	77,679	(2,679)
Total Ingredient	97,000	77,679	19,321
Consumer Potato Profile Management	25,000	31,675	(6,675)
Total Malaysia	332,000	408,118	(76,118)

National Potato Promotion Board
Schedule of Program Expenditures - MAP fund
Budget to Actual - Budget Basis
For the Year Ended June 30, 2016

Marketing Year 2015 Expenditures Incurred in Fiscal Year 2016:

	Budget	Actual	Variance - Variance
Central America			
Foodservice			
Trade Education	75,000	87,424	(12,424)
Menu Development	20,000	16,238	3,762
Menu Reverse Trade Mission	10,000	10,407	(407)
Promotions	25,000	26,807	(1,807)
Technical and Training Support	105,000	108,798	(3,798)
Total Foodservice	<u>235,000</u>	<u>249,674</u>	<u>(14,674)</u>
Retail			
Promotions	60,000	58,889	1,111
Trade Education	55,000	50,759	4,241
Total Retail	<u>115,000</u>	<u>109,648</u>	<u>5,352</u>
Ingredient Market Development	15,000	-	15,000
Consumer Potato Profile Management	27,500	18,962	8,538
Market Access	-	270	(270)
Market Development	5,000	8,670	(3,670)
Total Central America	<u>397,500</u>	<u>387,224</u>	<u>10,276</u>
Vietnam			
Foodservice			
Trade Education	15,000	8,190	6,810
Menu Development	20,000	20,063	(63)
Menu Reverse Trade Mission	15,000	13,242	1,758
Promotions	15,000	7,496	7,504
Technical and Training Support	25,000	44,383	(19,383)
Total Foodservice	<u>90,000</u>	<u>93,374</u>	<u>(3,374)</u>
Retail			
Promotions	55,000	6,768	48,232
Trade Education	30,000	19,295	10,705
Total Retail	<u>85,000</u>	<u>26,063</u>	<u>58,937</u>
Ingredient			
Product Application Development	22,000	22,817	(817)
Trade Education	30,000	34,055	(4,055)
Importer Training Support	20,000	-	20,000
Total Ingredient	<u>72,000</u>	<u>56,872</u>	<u>15,128</u>
Consumer Potato Profile Management	27,500	3,844	23,656
Total Vietnam	<u>274,500</u>	<u>180,153</u>	<u>94,347</u>
Burma			
Reverse Trade Mission	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Burma	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Food Aid			
Trade Education	50,000	35,721	14,279
Demonstration Project	50,000	3,979	46,021
Reverse Trade Mission	70,000	-	70,000
Application Studies	40,000	-	40,000
Total Food Aid	<u>210,000</u>	<u>39,700</u>	<u>170,300</u>

National Potato Promotion Board
Schedule of Program Expenditures - MAP fund
Budget to Actual - Budget Basis
For the Year Ended June 30, 2016

Marketing Year 2015 Expenditures Incurred in Fiscal Year 2016:

	Budget	Actual	Variance - Variance
Global Evaluation			
Rep Meeting	125,000	127,873	(2,873)
Market Maintenance	24,962	0	24,962
Industry Outreach	5,000	0	5,000
Market Evaluation	25,000	538	24,462
Market Research	34,930	9,500	25,430
	<hr/>	<hr/>	<hr/>
Total Evaluation	214,892	137,911	76,981
SEED PROMOTION			
Global Resources			
Industry Outreach	5,000	795	4,205
International Organizations	15,000	8,079	6,921
International Promotions	10,000	8,661	1,339
Market Access	10,000	222	9,778
Market Maintenance	40,000	7,557	32,443
	<hr/>	<hr/>	<hr/>
Total Global Resources	80,000	25,314	54,686
Egypt			
Market Access	15,000	108	14,892
Market Development	20,000	320	19,680
	<hr/>	<hr/>	<hr/>
Total Egypt	35,000	428	34,572
Sub Saharan Africa			
Trade Education & Merchandising	20,000	7,239	12,761
Market Access	5,000	1,057	3,943
Reverse Trade Mission	25,000	21,649	3,351
	<hr/>	<hr/>	<hr/>
Total Sub Saharan Africa	50,000	29,945	20,055
Guatemala			
Market Development	20,000	5,343	14,657
Market Access	5,000	-	5,000
Reverse Trade Mission	25,000	23,235	1,765
	<hr/>	<hr/>	<hr/>
Total Guatemala	50,000	28,578	21,422
Morocco			
Market Development	20,000	-	20,000
Market Access	5,000	1,180	3,820
Reverse Trade Mission	25,000	28,227	(3,227)
	<hr/>	<hr/>	<hr/>
Total Morocco	50,000	29,407	20,593

National Potato Promotion Board
Schedule of Program Expenditures - MAP fund
Budget to Actual - Budget Basis
For the Year Ended June 30, 2016

Marketing Year 2015 Expenditures Incurred in Fiscal Year 2016:

	Budget	Actual	Variance - Variance
Myanmar			
Market Development	20,000	-	20,000
Market Access	5,000	-	5,000
Reverse Trade Mission	25,000	33,858	(8,858)
	<u>50,000</u>	<u>33,858</u>	<u>16,142</u>
Total Myanmar			
Total Seed Promotion	<u>315,000</u>	<u>147,530</u>	<u>167,470</u>
Subtotal Marketing Year 2015 Exenditures	\$ 4,998,822	\$ 4,570,789	\$ 428,033

Marketing Year 2014 Expenditures Incurred in Fiscal Year 2016:

Malaysia - Dehydrated			
Foodservice Trade Education	\$ 4,377	\$ 4,377	\$ -
Ingredient Trade Education	4,377	4,377	-
Mexico - Dehydrated			
Foodservice Trade Education	8,595	8,595	-
Ingredient Trade Education	4,333	4,333	-
	<u>21,682</u>	<u>21,682</u>	<u>-</u>
Subtotal Marketing Year 2014 Exenditures	\$ 21,682	\$ 21,682	\$ -
Grand Total All Programs	\$ 5,020,504	\$ 4,592,471	\$ 428,033

National Potato Promotion Board

EMP Program Budget Status Report 2015 Marketing Year For the Month Ended June 30, 2016

	YTD Actual	Budget	Variance
2015 MARKETING PROGRAM			
<i>Agreement # T2011-17 (Exp 12/31/2016)</i>			
Variety Trials-Seed Potato-Egypt	\$ 329	\$ 76,501	\$ 76,172
<i>Agreement # 2010-66 (Exp 9/30/2015)</i>			
Cut Seed Technical Support - Global R	10,264	23,971	13,707
<i>Agreement # 2012-06 (Exp 6/30/2015)</i>			
Demonstration Project	167	88,020	87,853
Africare Advance	121,501	-	(121,501)
<i>Agreement # 2013-12 (Exp 6/30/2016)</i>			
Frozen Product Introduction - Burma	61,284	65,295	4,011
Frozen Product Introduction - Cambodi	61,633	65,295	3,662
<i>Agreement # 2014-18 (Exp 6/30/2017)</i>			
Introduction of Fresh Product in Mexico	-	85,000	85,000
<i>Agreement # 2014-25 (Exp 6/30/2017)</i>			
Market Assessments - Morocco	1,222	29,470	28,248
Market Assessments - Guatemala	2,873	29,470	26,597
Market Assessments - Myanmar	11,518	29,470	17,952
Variety Trials - Guatemala	33,883	76,667	42,784
Variety Trials - Myanmar	15,246	76,667	61,421
Variety Trials - Morocco	16,353	76,667	60,314
	<u> </u>	<u> </u>	<u> </u>
 Total	 <u>\$ 336,273</u>	 <u>\$ 722,493</u>	 <u>\$ 386,220</u>

National Potato Promotion Board

QSP Program Budget Status Report 2015 Marketing Year For the Month Ended June 30, 2016

	YTD Actual	Budget	Variance
2015 MARKETING PROGRAM			
<i>Agreement 2014-11 (Exp 9/30/2015)</i>			
African Variety Samples - Seed	\$ -	\$ 2,509	\$ 2,509
Cut Seed Trial Samples	50,960	73,158	22,198
<i>Agreement 2015-02 (Exp 6/30/2016)</i>			
China Product Sampling - Ingredient	3,043	15,000	11,957
Taiwan Product Sampling - Ingredient	2,394	30,000	27,606
Indonesia Product Sampling - Ingredient	518	15,000	14,482
Japan Product Sampling - Ingredient	711	30,000	29,289
South Korea Product Sampling - Ingredient	5,824	15,000	9,176
Mexico Product Sampling - Ingredient	6,155	30,000	23,845
Malaysia Product Sampling - Ingredient	5,264	15,000	9,736
Philippines Product Sampling - Ingredient	5,624	15,000	9,376
Thailand Product Sampling - Ingredient	3,161	30,000	26,839
Vietnam Product Sampling - Ingredient	3,667	30,000	26,333
Myanmar Variety Samples - Seed	-	15,000	15,000
Egypt Variety Samples - Seed	-	15,000	15,000
Guatemala Variety Samples - Seed	32,793	15,000	(17,793)
Central America Product Sampling - Ingredient	-	25,000	25,000
Burma Product Sampling - Ingredient	37,500	15,000	(22,500)
Food Aid	1,375	50,000	48,625
Morocco Product Sampling - Seed	12,158	15,000	2,842
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 171,147</u>	<u>\$ 450,667</u>	<u>\$ 279,520</u>

National Potato Promotion Board

TASC & Cochran Programs

Budget Status Report

2015 Marketing Year

For the Month Ended June 30, 2016

	YTD Actual	Budget	Variance
2015 MARKETING PROGRAM			
TASC			
Agreement # 2013-09 (Exp 5/31/2016)			
Pathogen Biology	\$ 310,236	\$ 383,105	\$ 72,869
Agreement # 2015-18 (Exp 7/31/2017)			
Potato Rot Policies	-	73,000	\$ 73,000
Agreement # 2013-35 (Exp 6/30/2016)			
Official Visits for Market Access	<u>18,560</u>	<u>26,711</u>	<u>8,151</u>
Total	<u>\$ 328,796</u>	<u>\$ 482,816</u>	<u>\$ 154,020</u>

National Potato Promotion Board
Schedule of Capital Assets
June 30, 2016

<u>Date of purchase</u>	<u>Item</u>	<u>Cost</u>
FURNITURE		
Jun-16	Office Desks	\$ 1,110
Oct-14	Modular furniture	2,710
Oct-14	Leasehold Improvements - Build-out, construction	29,659
Jul-14	Leasehold Improvements - Design, Misc	2,828
Apr-13	Office Artwork	1,700
Apr-13	Office chairs	3,440
Jan-13	18 Herman Miller chairs	4,000
Jan-13	Conference Table, chairs	7,010
Jul-08	Office chair	346
Jun-08	Server Rack	1,273
May-08	American Furniture - 4 Office Chairs	445
Sep-07	American Furniture - Conf and lobby chairs	2,365
Sep-07	Kitchen Refrigerator	743
Nov-06	Bookcase, lateral file and shelving	957
Aug-04	HM Chair	650
Jul-03	(1) desk, (2) chairs	620
Feb-02	Modular Furniture Installation	4,000
Apr-00	(2) desks, conference table, (5) desk chairs	1,967
Dec-93	(12) conference chairs, (7) steno chairs, (1) conference table	3,610
Dec-93	(2) executive chairs (Nate and Kelly)	550
Jan-91	Desk, credenza, file,(3) chairs	5,050
Jan-90	Lateral file	395
Jun-89	(2) Walnut display frames	800
Sep-89	Computer table	103
Jun-89	Blue living room chair	275
Jun-89	Blue loveseat	629
Jun-89	Blue wingback chair	309
Jun-89	Brass/glass end table	159
Dec-88	Black leather sofa	1,255
Jun-87	Gray metal shelving	512
Jun-87	Gray metal shelving	512
Jun-87	Gray metal shelving	512
Dec-86	Cylinder base glass table	390
Dec-86	Oak/glass bookcases	820
Sep-86	Upholstery for chairs	345
Sep-86	Re-upholster chairs	2,248
Jul-86	Chair, desk and file (1116&1120)	1,400
Jun-86	Terminal table	294
Oct-85	Executive chair	858
Aug-85	Conference chair	296
Aug-85	Conference chair	296

National Potato Promotion Board
Schedule of Capital Assets
June 30, 2016

<u>Date of purchase</u>	<u>Item</u>	<u>Cost</u>
FURNITURE (Continued)		
Aug-85	Conference chair	\$ 296
Aug-85	Conference chair	296
Aug-85	Conference chair	296
Aug-85	Conference chair	296
Aug-85	Conference chair	296
Aug-85	Conference chair	296
Aug-85	Conference chair	296
Aug-85	Conference chair	296
Aug-85	Printer table	230
Dec-84	Work table	143
Dec-84	Steno chair	171
Nov-84	Credenza	601
Oct-84	Office chair	244
Oct-78	Typewriter table	185
Oct-78	Westinghouse work chair	143
Oct-78	Westinghouse work chair	143
Oct-78	Bookcase	114
Oct-78	Work table (72 x 18)	119
Sep-77	Steno desk	498
Sep-77	Lateral file - 4 drawer	378
Sep-77	Anderson 36 x 72 work table	155
Jun-77	Lateral file - 4 drawer	466
Jun-77	Walnut credenza	322
Jun-75	Steno desk – left	397
Mar-75	Lateral file - 5 drawer	419
Mar-75	Lateral file - 5 drawer	419
Mar-75	Lateral file - 5 drawer	419
Mar-75	Lateral file - 5 drawer	419
Oct-74	Steno desk	418
Sep-74	Executive desk	380
Sep-74	Black 4-drawer file cabinet	122
Sep-74	Black 4-drawer file cabinet	122
Sep-74	Black 4-drawer file cabinet	122
Sep-74	Black 4-drawer file cabinet	122
Sep-74	Black 4-drawer file cabinet	122
Sep-74	Black 4-drawer file cabinet	122
Nov-73	Lateral file - 2 drawer	175

National Potato Promotion Board
Schedule of Capital Assets
June 30, 2016

<u>Date of purchase</u>	<u>Item</u>	<u>Cost</u>
FURNITURE (Continued)		
Nov-73	Lateral file - 2 drawer	175
Sep-73	Credenza	297
Sep-73	Lateral file - 5 drawer	333
Feb-73	Black 4-drawer file cabinet	101
Feb-73	Black 4-drawer file cabinet	101
Jan-73	Black 4-drawer file cabinet	101
Jan-73	Black 4-drawer file cabinet	101
Jan-73	Black 4-drawer file cabinet	101
Oct-72	Executive desk	500
Oct-72	Credenza	445
Aug-72	Lateral file - 2 drawer	175
Aug-72	Wood 3-drawer cabinet	115
Jul-72	Executive chair	159
Total Furniture		\$ 100,203

EQUIPMENT

Jun-16	Computer equipment	\$ 95
May-16	Conference room equipment	5,300
May-16	Network installation - Northstar	875
Apr-16	Computer equipment	40
Apr-16	Computer equipment	696
Mar-16	Computers	495
Mar-16	Network installation - Northstar	4,098
Mar-16	Computer equipment	3,063
Mar-16	Computer equipment	4,334
Feb-16	Computer equipment	25,415
Feb-16	Computer equipment	1,831
Jan-16	Computer equipment	2,509
Jan-16	Network installation - Northstar	4,456
Jan-16	Computer equipment	2,964
Dec-15	Computer equipment	6,912
Nov-15	Network installation - Northstar	4,026
Sep-15	Computer equipment	1,863
Jul-15	Computer equipment	3,037
May-15	Computer Installations - Northstar	2,107
Apr-15	Dell Docking Station, webcams	2,035
Mar-15	3 Microsoft Surface Pros	6,539
Dec-14	Polycom Conference Phone	717
Oct-14	Laptop installations - Northstar	1,323

National Potato Promotion Board
Schedule of Capital Assets
June 30, 2016

<u>Date of purchase</u>	<u>Item</u>	<u>Cost</u>
EQUIPMENT (Continued)		
Sep-14	Docking Stations, misc computer	1,043
Sep-14	4 Monitor Stands	1,770
Sep-14	E7440 Laptop	2,680
Aug-14	Apple Computer	1,716
Aug-14	Phone, Docking Station, Monitor, misc computer	821
Feb-14	Printer - TK home office	848
Jul-13	Monopad Display kit	7,489
Apr-13	Surface Pro Pad	1,527
Apr-13	Scanner	899
Jan-13	Scanner	1,153
Dec-12	Kindle	714
Dec-12	Computer Network - Hardware, Software, Licensing - Dell, Northsta	21,426
Jun-12	Computer Network - Hardware, Software, Licensing - Dell, Northsta	102,505
Jun-12	Phone System Upgrade - Northstar	16,181
Jun-12	Phone Network Cabling - 1st Key	7,700
Nov-11	Dell UPS	1,390
Nov-11	Electrical work for Server closet	613
Mar-11	Dell PC with Monitor	1,270
Dec-10	Dell - 5 External hard drives, interface	748
Aug-10	Northstar - server backup drives	1,400
Jun-10	Okidata Pacemark 4410 Printer	2,950
Apr-10	Dell 4210x DLP Projector	734
Jan-09	CDW - Multi-function printer	1,315
Aug-08	2 stolen laptops from purchase 8/8 - write off 6/2010	(3,966)
Sep-07	Innovative Office Solutions Mail Machine	2,977
Oct-06	iMIS Relationship & ATS Control Modules	2,968
Aug-06	i-Email Software for IMIS	1,495
May-06	HP Color Printer	830
Sep-04	Dymatee User License	3,520
Mar-04	ATS Database Software	27,568
Jul-02	Advanced Systems Mailing System	3,695
Jan-02	LP0130 Projector and case	4,053
Feb-01	Polycom speaker	993
Aug-00	25 APC Surge Suppressors	758
Jul-98	MAS 90 accounting software	1,870
Dec-95	Sell CPU (purch 7/92)	(150)
Jul-95	MAS 90 A/P software	1,596
Jun-94	Mitsubishi TV & VCR	776
Feb-92	Overhead projector	511
Dec-84	Kodak carousel projector	544
	Total Equipment	\$ 313,660
	Total Capital Assets	\$ 413,863

SECTION II
SINGLE AUDIT



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 Board of Directors
National Potato Promotion Board
Denver, Colorado

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 the governmental activities, the major fund, and the aggregate remaining fund information of National Potato Promotion Board as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise National Potato Promotion Board’s basic financial statements, and have issued our report thereon dated January 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Potato Promotion Board’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Potato Promotion Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of National Potato Promotion Board’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness 2016-A.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Potato Promotion Board'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*.

National Potato Promotion Board's Response to Finding

National Potato Promotion Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. National Potato Promotion Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 purpose.



Golden, Colorado
January 3, 2017



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
National Potato Promotion Board
Denver, Colorado

Report on Compliance for the Major Federal Program

We have audited National Potato Promotion Board’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the National Potato Promotion Board’s major federal program for the year ended June 30, 2016. National Potato Promotion Board’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the National Potato Promotion Board’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Potato Promotion Board’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of National Potato Promotion Board’s compliance.

Opinion on the Major Federal Program

In our opinion, National Potato Promotion Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of National Potato Promotion Board is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Potato Promotion Board's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the National Potato Promotion Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Greenwood Village, Colorado
January 3, 2017

Schedule of Expenditures of Federal Awards

**National Potato Promotion Board
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

Federal Grantor	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture -		
Direct Funding:		
Foreign Agricultural Service		
Market Access Program	10.601	\$ 4,592,468
Emerging Markets Program	10.603	214,773
Technical Assistance for		
Speciality Crops Program	10.604	328,796
Quality Samples Program	10.605	<u>171,145</u>
Total U.S. Department of Agriculture Expenditures of Federal Awards		<u><u>\$ 5,307,182</u></u>

National Potato Promotion Board
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2016

General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the National Potato Promotion Board. All federal financial assistance received by the Board directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Use of Estimates

In preparing the Schedule of Expenditures of Federal Awards, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

National Potato Promotion Board did not elect to use the 10% De Minimis indirect cost rate.

**National Potato Promotion Board
Schedule of Findings and Questioned Costs
June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported: in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:	<u>CFDA Number</u>
U.S. Department of Agriculture - Foreign Agricultural Service Market Access Program	10.601

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee	Yes

National Potato Promotion Board
Schedule of Findings and Questioned Costs (continued)
June 30, 2016

II. Financial Statement Findings

**2016-A Adjusting Journal Entry / Account Payable Accrual
Material Weakness**

Criteria The National Potato Promotion Board is responsible for establishing and implementing a system of internal accounting controls that will prevent, detect and correct errors in a timely manner.

Condition Based on audit procedures performed as of June 30, 2016, we identified the following material adjustments that were not recorded in order to fairly present the financial statements in accordance with GAAP.

The National Potato Promotion Board did not record a material journal entry accruing accounts payable and accounts receivable for both the MAP and Other Grants Fund. An adjustment was posted to accrue the accounts payable, accounts receivable, record revenue and charge the expenditures to the Funds in accordance with GAAP in the amounts of \$662,139 for the MAP fund and \$292,780 for the Other Grants Fund. This error caused an understatement in accounts payable, accounts receivable, revenue and expenditures for the two funds.

Cause The National Potato Promotion Board did not accrue for the applicable accounts payable invoices and accounts receivables reimbursement requests to the MAP fund and Other Grants Fund because of the ineffective internal controls and lack of procedures over key processes related to the grant funds.

Effect Material misstatements undetected by the National Potato Promotion Board and not corrected in a timely manner may result in an over or understatement of federal awards or modified opinion on the financial statements.

Recommendation We recommend that the Director of Finance and Policy document the year-end close process, which included recording proper accruals, and ensure that all appropriate personnel understand and have access to the documented process.

Views of Responsible Official – Agree. (Management has prepared a separate corrective action plan)

III. Federal Award Findings and Questioned Costs

None Reported

**National Potato Promotion Board
Summary Schedule of Prior Audit Findings
June 30, 2016**

None Reported



Financial Statement Finding

Finding 2016-A Adjusting Journal Entry/Accounts Payable Accrual Material Weakness

The National Potato Promotion Board did not accrue for the applicable accounts payable invoices and accounts receivables reimbursement requests to the MAP fund and Other Grants Fund because of the ineffective internal controls and lack of procedures over key processes related to the grant funds.

Responsible Individual: Brandy Reinke, Director, Finance & Policy

Corrective Action Plan: The Accounting Department will document year-end processes ensuring that all Accounting staff are trained on proper inclusion processes. The Accounting Department will also change the year-end reporting timeline and other financial reporting dates to accommodate proper inclusion of all Accounts Payable amounts in the MAP and Other Grant funds, offset by an amount to Accounts Receivable and Revenues. The Accounting Department will hire an individual with Accounting education and skills for a better segregation of duties, proper internal controls, and potential error correction. The Accounting Department will closely monitor all items paid subsequent to year-end for proper inclusion in Accounts Payable.

Anticipated Completion Date: January 31, 2017

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SECTION III

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AGRICULTURAL
MARKETING SERVICE AND U.S. DEPARTMENT OF AGRICULTURE GUIDELINES**



Independent Auditors' Report on Compliance with AMS and USDA Guidelines

Board of Directors
National Potato Promotion Board

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, the financial statements of the National Potato Promotion Board (the Board) dba Potatoes USA as of and for the year ended June 30, 2016, and have issued our report thereon dated December 6, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that 1) the Board had failed to comply with Section 1207.360 of the Potato Research and Promotion Plan relating to use of assessments for the purpose of influencing legislation, as that term is defined in Section 4911(d) and (e)(2) of Title 26 of the Internal Revenue Code, or for the purpose of influencing governmental policy or action; 2) the Board was not in compliance with the terms of the Agricultural Marketing Service Investment Policy, which describes the type of instruments in which the Board may invest, insofar as they relate to accounting matters; 3) the Board was not in compliance with the provisions of the Potato Research and Promotion Act related to the use of assessment funds, insofar as they relate to accounting matters; or 4) the Board was not in compliance with the requirement that assessment funds be used only for projects authorized in a budget approved by the U.S. Department of Agriculture, insofar as they relate to accounting matters. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and Management of the National Potato Promotion Board and the U.S. Department of Agriculture, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Golden, Colorado
January 3, 2017