

**U.S. Highbush Blueberry Council**

**FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

U.S. Highbush Blueberry Council

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10
SUPPLEMENTARY INFORMATION	
Schedules of Revenue and Expenditures - Actual Compared to Budget	11 - 12
Schedules of Program Expenditures - Actual Compared to Budget	13 - 16
Schedules of General and Administrative Expenditures - Actual Compared to Budget	17 - 18
Schedules of Cash Receipts and Disbursements	19
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	20 - 21

## INDEPENDENT AUDITOR'S REPORT

To the U.S. Highbush Blueberry Council  
Folsom, California

### Report on the Financial Statements

We have audited the accompanying financial statements of U.S. Highbush Blueberry Council (the "Council") which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 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 U.S. Highbush Blueberry Council as of December 31, 2013 and 2012, 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.

## **Other Matters**

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 11 - 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information, except for the budget information marked "unaudited," has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, on our consideration of U.S. Highbush Blueberry Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 U.S. Highbush Blueberry Council's internal control over financial reporting and compliance.

*Propp Christensen Caniglia LLP*

February 14, 2014  
Roseville, California

U.S. Highbush Blueberry Council

STATEMENTS OF FINANCIAL POSITION  
December 31, 2013 and 2012

	ASSETS	
	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$ 4,640,667	\$ 4,085,042
Accounts receivable	228,826	137,401
Promotional materials	28,650	8,853
Prepaid expenses	<u>5,725</u>	<u>6,425</u>
Total current assets	4,903,868	4,237,721
Equipment, net	<u>1,235</u>	<u>1,723</u>
Total assets	<u><u>\$ 4,905,103</u></u>	<u><u>\$ 4,239,444</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 348,454	\$ 341,408
Current portion of health research contract obligations	775,597	520,219
Deferred crop assessments	<u>2,894,641</u>	<u>2,554,911</u>
Total current liabilities	4,018,692	3,416,538
Health research contract obligations, net of current portion	<u>655,595</u>	<u>-</u>
Total liabilities	4,674,287	3,416,538
Unrestricted net assets	<u>230,816</u>	<u>822,906</u>
Total liabilities and net assets	<u><u>\$ 4,905,103</u></u>	<u><u>\$ 4,239,444</u></u>

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

U.S. Highbush Blueberry Council

STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenue:		
Domestic crop assessments	\$ 2,572,202	\$ 2,434,646
Foreign crop assessments	1,795,164	1,601,966
Contributions	100,000	-
USDA Quality Samples Program	75,000	-
Other revenue	<u>10,732</u>	<u>15,224</u>
Total revenue	<u>4,553,098</u>	<u>4,051,836</u>
Expenses:		
Market promotion and publicity	2,679,301	2,820,817
Research	1,532,494	81,316
Industry relations	45,902	161,184
Food safety	59,494	55,058
USHBC program fees	184,110	204,782
General and administrative	<u>643,887</u>	<u>608,139</u>
Total expenses	<u>5,145,188</u>	<u>3,931,296</u>
Change in unrestricted net assets	(592,090)	120,540
Unrestricted net assets, beginning of year	<u>822,906</u>	<u>702,366</u>
Unrestricted net assets, end of year	<u>\$ 230,816</u>	<u>\$ 822,906</u>

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

U.S. Highbush Blueberry Council

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from growers and governmental agencies	\$ 4,794,421	\$ 4,220,864
Cash paid to vendors and employees	(4,245,778)	(4,244,934)
Interest received	6,982	9,368
	<u>555,625</u>	<u>(14,702)</u>
Net cash provided by (used in) operating activities		
Net increase (decrease) in cash	555,625	(14,702)
Cash, beginning of year	<u>4,085,042</u>	<u>4,099,744</u>
Cash, end of year	<u>\$ 4,640,667</u>	<u>\$ 4,085,042</u>
Reconciliation of change in unrestricted net assets <u>to net cash provided by (used in) operating activities:</u>		
Change in unrestricted net assets	\$ (592,090)	\$ 120,540
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	488	489
Change in operating assets and liabilities:		
Accounts receivable	(91,425)	4,446
Promotional materials	(19,797)	1,683
Prepaid expenses	700	(6,425)
Accounts payable	7,046	264,768
Health research contract obligations	910,973	(574,153)
Deferred crop assessments	<u>339,730</u>	<u>173,950</u>
Net cash provided by (used in) operating activities	<u>\$ 555,625</u>	<u>\$ (14,702)</u>

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

U.S. Highbush Blueberry Council

Notes to Financial Statements  
December 31, 2013 and 2012

NOTE 1: NATURE OF ORGANIZATION

The North American Blueberry Council (the "NABC") submitted a proposal to the Agricultural Marketing Service Division (the "AMS") of the U.S. Department of Agriculture (the "USDA") for a national research and promotion program covering domestic and imported cultivated blueberries in December 1998. The program is authorized by the Commodity Promotion, Research and Information Act of 1996 (the "Act"). In March 2000, AMS held a referendum in which producers and importers of cultivated blueberries approved the Blueberry Promotion, Research and Information Order (the "Order"), thereby establishing the U.S. Highbush Blueberry Council (the "Council"). The Council is considered an instrumentality of the USDA which conducts administrative oversight of the Council's activities.

The purpose of the Council is to conduct promotion and research, and to provide consumer and industry information to maintain and increase the global awareness of highbush blueberries. As required by the Act, the Council must conduct an independent evaluation every five years to determine if the blueberry producers favor the termination or suspension of the Order.

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, 2013 and 2012.

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. Deposits that exceed the federally insured limit are collateralized by the financial institution with Freddie Mac mortgage backed securities. In order to comply with the Agricultural Marketing Service's investment policy, the Council is responsible for investing its funds only in interest-bearing accounts that are risk-free and short-term. At December 31, 2013 and 2012, all deposits were fully collateralized.

Investments

The Council is required to follow the AMS investment policy. Accordingly, the Council is authorized to invest in securities consisting of obligations issued or fully insured or guaranteed by the U.S. or any U.S. government agency, including obligations of government-sponsored corporations, which must mature within one year or less from the date of purchase.



U.S. Highbush Blueberry Council

Notes to Financial Statements  
December 31, 2013 and 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist primarily of foreign and domestic crop assessments. Management considers accounts receivable as of December 31, 2013 and 2012 to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

Promotional Materials

Supplies of promotional and educational materials are stated at cost and recorded as expenses in the period that they are distributed.

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 equipment using the straight-line method.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

Crop Assessments

Growers are assessed 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.

Advertising Expenses

The Council uses advertising in its mission to maintain and increase the global awareness of highbush blueberries and the costs of the advertising are expensed as incurred.

Lobbying Expenses

The Council is prohibited from using assessment funds collected in activities influencing legislation, governmental action or policy, other than recommending to the Secretary amendments to the Order. Accordingly, the Council incurs no lobbying expenses.

Income Taxes

The Council is considered an instrumentality of the U.S. Department of Agriculture. As such, the Office of Chief Counsel of the Internal Revenue Service has ruled that organizations such as the Council are not subject to federal income taxation and are generally exempt from other forms of taxation such as state income taxes, personal and real property taxes, and sales taxes.

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 14, 2014, the date that the financial statements were available to be issued.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE 3: ADMINISTRATIVE SERVICES AGREEMENT

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

Based on projections of staff time and involvement, most general and administrative expenses are allocated approximately 15% to NABC and 85% to the Council. General and administrative expense reimbursements to NABC totaled \$456,738 and \$436,527 for the years ended December 31, 2013 and 2012, respectively. Additionally, the Council paid NABC annual service fees of \$100,000 for the years ended December 31, 2013 and 2012.

At December 31, 2013 and 2012, payables to NABC of \$40,061 and \$44,351, respectively, are included in accounts payable.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Domestic crop assessments	\$ 3,246	\$ 332
Foreign crop assessments	147,949	137,069
USDA Quality Samples Program	75,000	-
Expense reimbursement due from NABC	<u>2,631</u>	<u>-</u>
Total	<u>\$ 228,826</u>	<u>\$ 137,401</u>

NOTE 5: EQUIPMENT

Equipment consists of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 7,628	\$ 7,628
Accumulated depreciation	<u>(6,393)</u>	<u>(5,905)</u>
Total	<u>\$ 1,235</u>	<u>\$ 1,723</u>

Depreciation expense was \$488 and \$489 for the years ended December 31, 2013 and 2012, respectively.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012

NOTE 6: HEALTH RESEARCH CONTRACT OBLIGATIONS

In accordance with the Order and to fulfill its purpose, the Council enters into contracts to provide grant funding to various blueberry related health research programs. Health research contract funding which has been authorized but remains unpaid at year-end is reported as a liability. The following is a schedule of the health research contract obligations at December 31, 2013, summarized by the year in which the amounts are due:

<u>Year Ending December 31:</u>	
2014	\$ 775,597
2015	349,805
2016	218,628
2017	<u>87,162</u>
Total	<u>\$ 1,431,192</u>

NOTE 7: OPERATING LEASE COMMITMENT

Through the Administrative Services Agreement with NABC described in Note 3, the Council leases office space under operating lease agreements executed by NABC. The terms of the operating lease provide for monthly payments which ranged from \$2,331 to \$2,768 during 2012 and 2013 (of which 85% was allocated to the Council), and will increase annually throughout the remainder of the five year lease term.

Additionally, through the Administrative Services Agreement with NABC, the Council leases copiers under two operating lease agreements executed by NABC. The terms of the first operating lease provide for monthly payments of \$448 (of which \$381 was allocated to the Council), commencing on October 24, 2011 and continuing for thirty-nine months. The terms of the second operating lease provide for monthly payments of \$498 (of which \$423 is allocated to the Council), commencing on August 2013 and continuing for thirty-nine months.

Commitments for future minimum rental payments under the remaining term of the operating lease agreements executed by NABC, of which the Council will be allocated approximately 85%, are as follows:

<u>Year Ending December 31:</u>	
2014	\$ 27,962
2015	6,424
2016	<u>4,980</u>
Total	<u>\$ 39,366</u>

The rental expenses allocated to the Council totaled \$34,994 and \$33,501 for the years ended December 31, 2013 and 2012, respectively.

U.S. Highbush Blueberry Council

Notes to Financial Statements  
December 31, 2013 and 2012

NOTE 8: USDA Quality Samples Program

During the year ended December 31, 2013, the Council was allocated \$75,000 under a Quality Samples Program (QSP) Agreement with the USDA Foreign Agricultural Service to encourage demand for frozen blueberries in the Indian market by exporting frozen blueberry samples into test kitchens and development laboratories. The Council pledged a cost share contribution of \$24,824 with an industry contribution of \$17,500. The Council's contribution may include cash or in-kind services and must be in furtherance of the project and not reimbursable from any USDA program or foreign source. Activities conducted under this Agreement were to be completed by December 31, 2013 unless extended by amendment or terminated by either party. On December 23, 2013, the QSP Agreement was amended by extending the expiration date from December 31, 2013 to December 31, 2014.

NOTE 9: Retirement Plan

Through the Administrative Services Agreement with NABC described in Note 3, the Council participates in a 401(k) plan. Effective January 1, 2012, NABC 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 2013 and 2012, the Council made a Safe Harbor non-elective contribution equal to 3% of employees' compensation. The Council may also make additional discretionary matching contributions.

Total retirement plan expense allocated to the Council for the years ended December 31, 2013 and 2012, was \$16,510 and \$18,056, respectively.

SUPPLEMENTARY INFORMATION

U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES  
 ACTUAL COMPARED TO BUDGET  
 For the Years Ended December 31, 2013 and 2012

	2013		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Revenue:			
Domestic crop assessments	\$ 2,572,202	\$ 2,581,050	\$ (8,848)
Foreign crop assessments	1,795,164	1,600,000	195,164
Contributions	100,000	100,000	-
USDA Quality Samples Program	75,000	75,000	-
Other revenue	10,732	-	10,732
Total revenue	<u>4,553,098</u>	<u>4,356,050</u>	<u>197,048</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	2,679,301	2,730,000	(50,699)
Research	1,532,494	1,575,000	(42,506)
Industry relations	45,902	67,000	(21,098)
Food safety	59,494	74,000	(14,506)
USHBC program fees	184,110	198,000	(13,890)
Total program expenditures	4,501,301	4,644,000	(142,699)
General and administrative	643,887	645,092	(1,205)
Total expenditures	<u>5,145,188</u>	<u>5,289,092</u>	<u>(143,904)</u>
Excess (deficit) of revenues over expenditures	<u>\$ (592,090)</u>	<u>\$ (933,042)</u>	<u>\$ 340,952</u>

U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES  
 ACTUAL COMPARED TO BUDGET (CONTINUED)  
 For the Years Ended December 31, 2013 and 2012

	2012		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Revenue:			
Domestic crop assessments	\$ 2,434,646	\$ 2,380,105	\$ 54,541
Foreign crop assessments	1,601,966	1,600,000	1,966
Other revenue	15,224	-	15,224
Total revenue	<u>4,051,836</u>	<u>3,980,105</u>	<u>71,731</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	2,820,817	2,822,000	(1,183)
Research	81,316	421,000	(339,684)
Industry relations	161,184	261,500	(100,316)
Food safety	55,058	108,000	(52,942)
USHBC program fees	204,782	201,500	3,282
Total program expenditures	<u>3,323,157</u>	<u>3,814,000</u>	<u>(490,843)</u>
General and administrative	<u>608,139</u>	<u>856,579</u>	<u>(248,440)</u>
Total expenditures	<u>3,931,296</u>	<u>4,670,579</u>	<u>(739,283)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 120,540</u>	<u>\$ (690,474)</u>	<u>\$ 811,014</u>

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES  
 ACTUAL COMPARED TO BUDGET  
 For the Years Ended December 31, 2013 and 2012

	2013		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Market promotion and publicity:			
Consumer/food service publicity	\$ 1,678,000	\$ 1,670,000	\$ 8,000
Food manufacturer publicity	395,000	400,000	(5,000)
Export market development	280,813	325,000	(44,187)
2014 MAP UES preparation	20,983	20,000	983
Wusata export funds (Korea)	137,837	150,000	(12,163)
FAS QSP export (India)	75,000	75,000	-
Market research allocation	91,668	85,000	6,668
Promotion and publicity reserve	-	5,000	(5,000)
Total market promotion and publicity	<u>2,679,301</u>	<u>2,730,000</u>	<u>(50,699)</u>
Research:			
Pennington biomedical research center	(3,000)	-	(3,000)
Research reserve	2,650	47,333	(44,683)
Reserve research - expanded study	874,513	874,513	-
Harvard Epidemio study	250,000	250,000	-
Children's Hospital Oakland	112,824	112,824	-
University of Louisville	74,780	74,780	-
University of California - Davis	37,785	37,785	-
Appalachian State University	36,191	36,191	-
Louisiana State University	62,074	62,074	-
Blueberry research bank	31,889	30,000	1,889
Researcher travel	6,920	5,000	1,920
Research administrator	43,368	42,000	1,368
Sponsorships	2,500	2,500	-
Total research	<u>1,532,494</u>	<u>1,575,000</u>	<u>(42,506)</u>



U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES  
 ACTUAL COMPARED TO BUDGET (CONTINUED)  
 For the Years Ended December 31, 2013 and 2012

	2013		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Industry relations:			
Industry relations activities	\$ 28,535	\$ 30,000	\$ (1,465)
Labor seminars	-	5,000	(5,000)
Grower engagement/education	8,442	20,000	(11,558)
Professional memberships	8,925	8,500	425
International blueberry grower meeting	-	1,000	(1,000)
Industry relations reserve	-	2,500	(2,500)
Total industry relations	<u>45,902</u>	<u>67,000</u>	<u>(21,098)</u>
Food safety:			
Alert site server/maintenance	4,041	12,000	(7,959)
Media retainer	16,500	16,500	-
Media training	17,506	23,000	(5,494)
Issue management reserve	-	5,000	(5,000)
Printing	3,127	5,000	(1,873)
Alliance for Food and Farming	15,000	10,000	5,000
Chapman University research	3,320	2,500	820
Total food safety	<u>59,494</u>	<u>74,000</u>	<u>(14,506)</u>
USHBC program expenditures:			
USDA/AMS administration fee	84,110	97,000	(12,890)
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	100,000	100,000	-
Total USHBC program expenditures	<u>184,110</u>	<u>198,000</u>	<u>(13,890)</u>
Total program expenditures	<u>\$ 4,501,301</u>	<u>\$ 4,644,000</u>	<u>\$ (142,699)</u>

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES  
 ACTUAL COMPARED TO BUDGET (CONTINUED)  
 For the Years Ended December 31, 2013 and 2012

	2012		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Market promotion and publicity:			
Consumer/food service publicity	\$ 1,153,580	\$ 1,101,000	\$ 52,580
Food manufacturer publicity	406,734	400,000	6,734
Export market development	356,500	325,000	31,500
Korean market access	10,000	10,000	-
Magazine advertising	1,683	-	1,683
Expanded market positioning	892,320	889,900	2,420
Promotion and publicity reserve	-	96,100	(96,100)
Total market promotion and publicity	<u>2,820,817</u>	<u>2,822,000</u>	<u>(1,183)</u>
Research:			
Berry Health Symposium 2013	17,000	17,000	-
Research reserve	(4,200)	305,000	(309,200)
Texas Woman's University	6,188	8,000	(1,812)
Blueberry research bank	20,895	40,000	(19,105)
Researcher travel	1,498	7,500	(6,002)
Research administrator	37,935	36,000	1,935
Sponsorships	2,000	7,500	(5,500)
Total research	<u>81,316</u>	<u>421,000</u>	<u>(339,684)</u>

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES  
 ACTUAL COMPARED TO BUDGET (CONTINUED)  
 For the Years Ended December 31, 2013 and 2012

	2012		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Industry relations:			
Bird harvesting/handling study	\$ 129,100	\$ 129,100	\$ -
Industry relations activities	22,691	40,000	(17,309)
Labor seminars	-	24,000	(24,000)
Grower engagement/education	2,276	28,000	(25,724)
Professional memberships	5,930	9,500	(3,570)
International blueberry grower meeting	-	5,000	(5,000)
Industry relations reserve	1,187	25,900	(24,713)
<b>Total industry relations</b>	<b>161,184</b>	<b>261,500</b>	<b>(100,316)</b>
Food safety:			
Alert site server/maintenance	9,034	23,000	(13,966)
Media retainer	18,163	16,500	1,663
Media training	10,924	23,000	(12,076)
Issue management reserve	-	5,000	(5,000)
Printing	1,937	10,000	(8,063)
Alliance for Food and Farming	15,000	15,000	-
Food safety reserve	-	15,500	(15,500)
<b>Total food safety</b>	<b>55,058</b>	<b>108,000</b>	<b>(52,942)</b>
USHBC program expenditures:			
USDA/AMS administration fee	104,782	98,500	6,282
U.S. Office of General Counsel fee	-	3,000	(3,000)
NABC resources and service fee	100,000	100,000	-
<b>Total USHBC program expenditures</b>	<b>204,782</b>	<b>201,500</b>	<b>3,282</b>
<b>Total program expenditures</b>	<b>\$ 3,323,157</b>	<b>\$ 3,814,000</b>	<b>\$ (490,843)</b>

U.S. Highbush Blueberry Council

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENDITURES  
ACTUAL COMPARED TO BUDGET

For the Years Ended December 31, 2013 and 2012

	2013		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
<b>General expenditures:</b>			
Office rental and occupancy expenses	\$ 28,413	\$ 27,625	\$ 788
Office insurance and taxes	564	1,020	(456)
Subscriptions	2,000	1,250	750
Printing	6,382	10,500	(4,118)
Office supplies	6,190	5,650	540
Telephone and fax	6,068	10,200	(4,132)
Equipment repairs and maintenance	636	2,550	(1,914)
Equipment rental	6,581	8,925	(2,344)
Postage and shipment	11,827	8,625	3,202
Auto allowance	5,850	5,850	-
Bank charges	383	765	(382)
Officers' liability	3,432	3,575	(143)
Bonding insurance	-	750	(750)
Commodity coalition initiative	990	1,000	(10)
<b>Total general expenditures</b>	<b>79,316</b>	<b>88,285</b>	<b>(8,969)</b>
<b>Administrative expenditures:</b>			
Employee salary and wages	264,774	279,675	(14,901)
Employee benefits	37,293	40,039	(2,746)
Payroll taxes	17,524	19,550	(2,026)
Workers' compensation insurance	3,027	3,825	(798)
Bookkeeping service	18,480	18,480	-
Retirement program	956	2,465	(1,509)
Legal/audit fees	15,300	15,300	-
Depreciation	1,228	200	1,028
Travel and meetings	205,989	153,325	52,664
Reserve	-	23,948	(23,948)
<b>Total administrative expenditures</b>	<b>564,571</b>	<b>556,807</b>	<b>7,764</b>
<b>Total general and administrative expenditures</b>	<b>\$ 643,887</b>	<b>\$ 645,092</b>	<b>\$ (1,205)</b>

U.S. Highbush Blueberry Council

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENDITURES  
 ACTUAL COMPARED TO BUDGET (CONTINUED)  
 For the Years Ended December 31, 2013 and 2012

	2012		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
General expenditures:			
Office rental and occupancy expenses	\$ 25,894	\$ 26,010	\$ (116)
Office insurance and taxes	680	1,020	(340)
Subscriptions	915	2,000	(1,085)
Printing	12,884	15,000	(2,116)
Office supplies	4,961	8,000	(3,039)
Telephone and fax	9,544	11,900	(2,356)
Equipment repairs and maintenance	914	7,400	(6,486)
Equipment rental	7,607	8,075	(468)
Postage and shipment	4,107	13,175	(9,068)
Auto allowance	5,850	5,850	-
Bank charges	258	680	(422)
Officers' liability	2,876	3,575	(699)
Bonding insurance	-	750	(750)
Commodity coalition initiative	990	1,000	(10)
Special project reserve	-	15,000	(15,000)
Total general expenditures	<u>77,480</u>	<u>119,435</u>	<u>(41,955)</u>
Administrative expenditures:			
Employee salary and wages	256,712	262,730	(6,018)
Employee benefits	34,025	39,859	(5,834)
Payroll taxes	16,306	18,700	(2,394)
Workers' compensation insurance	4,027	3,400	627
Bookkeeping service	17,220	17,220	-
Retirement program	850	2,210	(1,360)
Legal/audit fees	15,300	16,830	(1,530)
Depreciation	1,092	200	892
Travel and meetings	185,127	148,000	37,127
Reserve	-	227,995	(227,995)
Total administrative expenditures	<u>530,659</u>	<u>737,144</u>	<u>(206,485)</u>
Total general and administrative expenditures	<u>\$ 608,139</u>	<u>\$ 856,579</u>	<u>\$ (248,440)</u>

U.S. Highbush Blueberry Council

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Receipts:		
Domestic crop assessments	\$ 2,909,018	\$ 2,609,246
Foreign crop assessments	1,784,284	1,605,762
Contributions	100,000	-
Other revenue	<u>10,732</u>	<u>15,224</u>
Total receipts	<u>4,804,034</u>	<u>4,230,232</u>
Disbursements:		
Market promotion and publicity	2,577,508	2,965,635
Research	629,028	407,761
Industry relations	152,885	37,746
Food safety	59,507	53,670
USHBC program fees	184,309	180,620
General and administrative	<u>645,172</u>	<u>599,502</u>
Total disbursements	<u>4,248,409</u>	<u>4,244,934</u>
Excess (deficit) of receipts over disbursements	555,625	(14,702)
Cash, beginning of year	<u>4,085,042</u>	<u>4,099,744</u>
Cash, end of year	<u><u>\$ 4,640,667</u></u>	<u><u>\$ 4,085,042</u></u>

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 U.S. Highbush Blueberry Council  
Folsom, California

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 U.S. Highbush Blueberry Council which comprise the statements of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered U.S. Highbush Blueberry Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the U.S. Highbush Blueberry Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the U.S. Highbush Blueberry Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether U.S. Highbush Blueberry Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of U.S. Highbush Blueberry Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering U.S. Highbush Blueberry Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Propp Christensen Caniglia LLP*

February 14, 2014  
Roseville, California