



Financial
Statements June
30, 2015

National Potato Promotion Board

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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 dba the United States Potato Board (the Board) as of and for the year ended June 30, 2015, 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, 2015, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 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
December 10, 2015

Required Supplementary Information
Management's Discussion and Analysis

National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

This section of the Annual Financial Report of the National Potato Promotion Board (the Board) 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, 2015. 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, 2015

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, 2015**

Financial Highlights

- The Board's assets exceeded its liabilities by a net position of \$10,672,383 as of June 30, 2015, reflecting an increase of \$241,747 in net position during the year ended June 30, 2015.
- The Board's general fund reported total ending fund balance of \$10,594,688 at June 30, 2015. Of this ending fund balance, \$2,327,834 is assigned for specific purposes by the board of directors, \$86,888 is non-spendable and \$8,179,966 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 2015 as compared to FY 2014:

	2015	2014
Assessment revenue	\$ 13,926,670	\$ 13,506,019
Contribution revenue	497,302	606,441
Chip Seed revenue	6,287	12,000
Investment income	26,588	17,930

- The Board collected total assessment revenue of \$13.9 million during the 2015 fiscal year. This is an increase of \$420,651 from fiscal year 2014.
- Investment Income is generated on the Board's short-term investments. The Board earned \$26,588 in fiscal year 2015. This is an increase of \$8,658 from fiscal year 2014.
- The Board generated revenue of \$6,287 in fiscal year 2015 from seed sales of new chipping potato varieties through its NCPT fast track program. The seed sales established commercial transfer of these successful new varieties from the trials to the industry. This revenue recovers a portion of the previous investment in the trials and will be reinvested in future chip program initiatives.
- 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 2015 were \$497,302.

**National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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 \$5,092,257 for FY 2015 of which \$4,831,106 was expended, compared to \$4,856,823 for FY 2014 of which \$4,478,052 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 2015, the United States Potato Board's main sources of revenue were assessments and FAS foreign market development funding, as described above. Of total revenue, approximately 94% is expended for programs, 5% is expended for administration and 1% is expended to fund USDA oversight.

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, 2015**

Government-wide Financial Analysis

The following table reflects the condensed combined balance sheet:

Statements of Net Position		2015	2014
June 30,		<u>2015</u>	<u>2014</u>
Assets:			
Cash and cash equivalents	\$ 1,927,931	\$ 3,169,434	
Certificates of deposit	8,133,815	7,110,159	
Assessments receivable	1,237,062	1,119,460	
Claims receivable	3,297,068	2,582,664	
Other receivables	131,223	233,957	
Prepaid expenses	198,983	125,384	
Capital assets (net)	<u>77,695</u>	<u>75,421</u>	
Total assets	<u>\$ 15,003,777</u>	<u>\$ 14,416,479</u>	
Liabilities:			
Accounts payable	\$ 3,520,148	\$ 3,117,847	
Accrued expenses	141,119	249,109	
Deferred revenue	<u>670,127</u>	<u>618,887</u>	
Total liabilities	4,331,394	3,985,843	
Net position:			
Net investment in capital assets	77,695	75,420	
Unrestricted	<u>10,594,688</u>	<u>10,355,216</u>	
Total liabilities and net position	<u>\$ 15,003,777</u>	<u>\$ 14,416,479</u>	

**National Potato Promotion Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Government-wide Financial Analysis (Continued)

The following table reflects the condensed Statement of Activities:

	2015	2014
Revenue:		
Assessment revenues	\$ 13,926,670	\$ 13,506,019
Grant revenue	5,670,594	5,173,190
Chip Seed revenue	6,287	12,000
Contribution revenue	497,302	606,441
Investment earnings	26,588	17,930
Total revenue	20,127,441	19,315,580
Expenditures/expenses:		
Program	18,715,926	17,843,372
Operating	1,169,768	1,183,567
Total expenditures/expenses	19,885,694	19,026,939
Change in net position	\$ 241,747	\$ 288,641

Capital Assets

During FY 2015, the Board acquired \$55,949 of office furniture, leasehold improvements and equipment, bringing its capital asset balance to \$77,695 net of accumulated depreciation of \$263,049.

Basic Financial Statements

National Potato Promotion Board
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2015

	General Fund	MAP Fund	Other Grant Funds	Total	Adjustments (Note 10)	Statement of Net Position
ASSETS						
Cash and cash equivalents	\$ 695,401	\$ 1,232,530	\$ -	\$ 1,927,931	\$ -	\$ 1,927,931
Certificates of deposit	8,133,815	-	-	8,133,815	-	8,133,815
Assessments receivable	1,237,062	-	-	1,237,062	-	1,237,062
Claims receivable	-	2,831,100	465,968	3,297,068	-	3,297,068
Accrued interest receivable	10,539	-	-	10,539	-	10,539
Other receivables	120,684	-	-	120,684	-	120,684
Due from other funds	2,243,566	-	-	2,243,566	(2,243,566)	-
Prepaid expenses	86,888	-	112,095	198,983	-	198,983
	<u>12,527,955</u>	<u>4,063,630</u>	<u>578,063</u>	<u>17,169,648</u>	<u>(2,243,566)</u>	<u>14,926,082</u>
Capital assets (net of accumulated depreciation):						
Office furniture	-	-	-	-	46,325	46,325
Office equipment	-	-	-	-	31,370	31,370
Total assets	<u>\$ 12,527,955</u>	<u>\$ 4,063,630</u>	<u>\$ 578,063</u>	<u>\$ 17,169,648</u>	<u>\$ (2,165,871)</u>	<u>\$ 15,003,777</u>
LIABILITIES						
Accounts payable	\$ 1,215,591	\$ 2,104,905	\$ 199,652	\$ 3,520,148	\$ -	\$ 3,520,148
Accrued expenses	47,549	-	93,570	141,119	-	141,119
Due to other funds	-	1,958,725	284,841	2,243,566	(2,243,566)	-
Unearned revenue	670,127	-	-	670,127	-	670,127
Total liabilities	<u>1,933,267</u>	<u>4,063,630</u>	<u>578,063</u>	<u>6,574,960</u>	<u>(2,243,566)</u>	<u>4,331,394</u>
FUND BALANCES/NET POSITION						
Fund Balances - Unrestricted						
Non-spendable	86,888	-	-	86,888	(86,888)	-
Assigned	2,327,834	-	-	2,327,834	(2,327,834)	-
Unassigned	8,179,966	-	-	8,179,966	(8,179,966)	-
Total fund balances	<u>10,594,688</u>	<u>-</u>	<u>-</u>	<u>10,594,688</u>	<u>(10,594,688)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,527,955</u>	<u>\$ 4,063,630</u>	<u>\$ 578,063</u>			
Net Position						
Invested in capital assets					77,695	77,695
Unrestricted					10,594,688	10,594,688
Total net position					<u>\$ 10,672,383</u>	<u>\$ 10,672,383</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, 2015

	General Fund	MAP Fund	Other Grant Funds	Total	Adjustments (Note 10)	Statement of Activities
Expenditures/expenses:						
Program	\$ 13,045,332	\$ 4,831,106	\$ 839,488	\$ 18,715,926	\$ -	\$ 18,715,926
Personnel services and benefits	411,910	-	-	411,910	-	411,910
Board travel	12,323	-	-	12,323	-	12,323
Staff and field operations travel	18,969	-	-	18,969	-	18,969
Professional services	161,547	-	-	161,547	-	161,547
Office	256,055	-	-	256,055	-	256,055
USDA user fees	126,897	-	-	126,897	-	126,897
Capital outlay	55,949	-	-	55,949	(55,949)	-
Depreciation	-	-	-	-	53,674	53,674
Other	128,393	-	-	128,393	-	128,393
Total expenditures/expenses	14,217,375	4,831,106	839,488	19,887,969	(2,275)	19,885,694
Program revenues:						
Assessments	13,926,670	-	-	13,926,670	-	13,926,670
Contribution	497,302	-	-	497,302	-	497,302
Chip Seed	6,287	-	-	6,287	-	6,287
Grant	-	4,831,106	839,488	5,670,594	-	5,670,594
Total program revenues	14,430,259	4,831,106	839,488	20,100,853	-	20,100,853
General revenues:						
Investment earnings	26,588	-	-	26,588	-	26,588
Total general revenues	26,588	-	-	26,588	-	26,588
Change in net position	239,472	-	-	239,472	2,275	241,747
Fund balances/net position:						
Beginning of the year	10,355,216	-	-	10,355,216	75,420	10,430,636
End of the year	<u>\$ 10,594,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,594,688</u>	<u>\$ 77,695</u>	<u>\$ 10,672,383</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, 2015

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues				
Assessment revenue	\$ 13,254,691	\$ 13,254,691	\$ 13,926,670	\$ 671,979
Contribution revenue	300,000	549,156	497,302	(51,854)
Chip Seed revenue	176,059	176,059	6,287	(169,772)
Interest income	18,000	18,000	26,588	8,588
Total revenues	<u>13,748,750</u>	<u>13,997,906</u>	<u>14,456,847</u>	<u>458,941</u>
Expenditures				
Program	12,921,801	13,947,375	13,045,332	902,043
Personnel services and benefits	504,079	504,079	411,910	92,169
Board travel	24,000	24,000	12,323	11,677
Staff travel	18,500	18,500	18,969	(469)
Professional services	153,010	219,410	161,547	57,863
Office expenses	302,709	373,072	312,004	61,068
USDA user fees	195,000	195,000	126,897	68,103
Other	129,651	129,651	128,393	1,258
Total expenditures	<u>14,248,750</u>	<u>15,411,087</u>	<u>14,217,375</u>	<u>1,193,712</u>
Excess of revenues over (under) expenditures - BUDGET BASIS	<u>\$ (500,000)</u>	<u>\$ (1,413,181)</u>	239,472	<u>\$ 1,652,653</u>
Reconciliation to U.S. GAAP BASIS				
Capital outlay			55,949	
Depreciation			<u>(53,674)</u>	
Excess of revenues over expenditures - U.S. GAAP BASIS			<u>\$ 241,747</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, 2015

	Original Budget	Final Budget	YTD Actual	Variance favorable (unfavorable)
REVENUE				
Program Revenue	\$ 4,892,235	\$ 5,092,257	\$ 4,831,106	\$ (261,151)
EXPENDITURES				
Program Expenditures	4,892,235	5,092,257	4,831,106	261,151
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

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.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

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 primary governmental activities of the Board include the distribution of funds to promote and develop existing and new potato markets. The Board has no business-type activities.

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.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

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.

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.

Investments

The Board records its investments in certificates of deposit 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.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

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.

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.

It is the Board’s policy to deplete Restricted Net Position before Unrestricted Net Position is applied.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

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.
- *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.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

The Board has evaluated subsequent events through December 10, 2015, the date which the financial statements were available to be issued.

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.

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, 2015, the Board was in compliance with this requirement.

At June 30, 2015, the carrying value of the Board's cash and investments are reflected in the financial statements as follows:

Cash and cash equivalents	\$ 1,927,931
Certificates of Deposit	<u>8,133,815</u>
Total cash and investments	\$ <u>10,061,746</u>

The Board's bank balances and certificates of deposit are collateralized as follows:

FDIC insured bank deposits	\$ 250,000
Collateralized bank deposits	2,318,385
FDIC insured Certificates of Deposit	<u>8,133,815</u>
Total cash and investments	\$ <u>10,702,200</u>

At June 30, 2015, the Certificates of Deposit (CDs) bear interest at rates ranging from 0.35% to 0.60% with maturities ranging from July 2015 to June 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.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

3. Cash and Investments (continued)

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. Interfund balances are generally expected to be repaid within one year of the financial statement date. At June 30, 2015, the following balances were due between funds:

Receivable Fund	Payable Fund	Amount
General Fund	MAP Fund	\$ 1,958,725
General Fund	Other Grant Funds	<u>284,841</u>
		<u>\$ 2,243,566</u>

National Potato Promotion Board
Notes to Financial Statements
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5. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Capital assets:				
Furniture & leasehold	\$ 63,895	\$ 35,198	\$ -	\$ 90,093
Equipment	<u>220,900</u>	<u>20,751</u>	<u>-</u>	<u>241,651</u>
Total capital assets	<u>\$ 284,795</u>	<u>\$ 55,949</u>	<u>\$ -</u>	<u>\$ 340,744</u>
Less accumulated depreciation:				
Furniture & leasehold	\$ 47,765	\$ 5,004	\$ -	\$ 52,768
Equipment	<u>161,611</u>	<u>48,670</u>	<u>-</u>	<u>210,281</u>
Total accumulated depreciation	<u>\$ 209,375</u>	<u>\$ 53,674</u>	<u>\$ -</u>	<u>\$ 263,049</u>
Total capital assets, net	<u>\$ 75,420</u>	<u>\$ 2,275</u>	<u>\$ -</u>	<u>\$ 77,695</u>

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 \$4.8 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, 2015, 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, 2015, the Board contributed \$133,835 to the profit sharing plan.

National Potato Promotion Board
Notes to Financial Statements
June 30, 2015

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, 2015:

Year ending June 30,

2016	\$ 150,296
2017	153,703
2018	147,237
2019	147,353
2020	150,760
Thereafter	<u>431,837</u>
Total	<u>\$ 1,181,186</u>

Total lease expense for the year ended June 30, 2015, was \$152,053.

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, 2014, through June 30, 2015. 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, 2015

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 \$77,695 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 \$2,243,566 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 fund the change in net position of the governmental funds and change in net opposition of 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 \$55,949 adjustment represents the amount of capital assets purchased during the year and the \$53,674 adjustment represents the depreciation incurred during the year.