

NATIONAL HONEY BOARD

**Financial Statements
Years Ended December 31, 2016 and 2015**

NATIONAL HONEY BOARD
December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Governing Board
National Honey Board
Firestone, Colorado

We have audited the accompanying balance sheets—modified cash basis of the National Honey Board for the years ending December 31, 2016 and 2015, and the related statements of revenue, expenses, and changes in fund balance—modified cash basis, and cash flows—modified cash basis for the periods 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 respective financial position – modified cash basis of the National Honey Board, as of December 31, 2016 and 2015 and its revenue, expenses, and changes in fund balance for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional schedules found on pages 14 through 18 are presented for purposes of additional analysis and are 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. The information 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2017 on our consideration of the National Honey Board's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Clausen + Associates

**Certified Public Accountants
April 5, 2017**

NATIONAL HONEY BOARD

BALANCE SHEETS - MODIFIED CASH BASIS

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash on hand and in banks (Note 2)	\$ 1,621,990	\$ 1,455,751
Prepaid expenses	16,223	16,229
Fulfillment inventory	36,364	48,079
Deposits on leases	9,489	9,489
Total current assets	1,684,066	1,529,548
PROPERTY AND EQUIPMENT		
Computer equipment	23,235	25,817
Office machines and equipment	22,559	18,290
Leasehold improvements	2,842	2,842
Images portfolio	50,000	50,000
	98,636	96,949
Less accumulated depreciation	(71,371)	(74,862)
Net property and equipment	27,265	22,087
TOTAL ASSETS	\$ 1,711,331	\$ 1,551,635
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Payroll liabilities	\$ -	\$ 8,540
Total current liabilities	-	8,540
COMMITMENTS AND CONTINGENCIES (Notes 4, 6 and 7)		
FUND BALANCE		
Unrestricted	1,511,331	1,343,095
Restricted - budgetary reserve	200,000	200,000
Fund balance	1,711,331	1,543,095
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,711,331	\$ 1,551,635

NATIONAL HONEY BOARD

**STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS**

	Years Ended December 31,	
	2016	2015
REVENUE		
Assessments	\$ 6,742,080	\$ 6,236,170
Investment income	338	342
Other (merchandise sales, donations)	28,010	25,586
Total revenue	6,770,428	6,262,098
 EXPENSES		
Administrative expenses -		
Administrative (Office)	535,911	491,977
Administrative (Board)	65,260	97,641
Administrative (Federal)	95,809	98,480
Total administrative expenses (Schedule 2)	696,980	688,098
Program expenses		
Advertising, public relations, and research	5,857,056	4,890,054
Industry service and support	-	275,186
Emerging opportunities	29,022	145,868
Total program expenses (Schedule 3)	5,886,078	5,311,108
Provision for depreciation	7,063	5,808
Loss on disposal of assets	356	-
Total expenses	6,590,477	6,005,014
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	179,951	257,084
 FUND BALANCE, beginning of year	1,543,095	1,291,697
Change in inventory included in industry services	(11,715)	(5,686)
 FUND BALANCE, end of year	\$ 1,711,331	\$ 1,543,095

NATIONAL HONEY BOARD

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over (under) expenditures	\$ 179,951	\$ 257,084
Adjustments to reconcile change in net assets to net cash from operating activities -		
(Increase) decrease in inventory	11,715	5,686
Depreciation expense	7,063	5,808
(Increase) decrease in prepaid supplies	6	(4,809)
(Decrease) increase in payroll taxes payable	(8,540)	(1,551)
Change in inventory included in industry services	(11,715)	(5,686)
Net cash provided (used) by operating activities	178,480	256,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Loss on disposal of assets	356	-
Acquisition of property and equipment	(12,597)	(10,094)
Net cash provided (used) by investing activities	(12,241)	(10,094)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166,239	246,438
CASH AND CASH EQUIVALENTS, beginning of year	1,455,751	1,209,313
CASH AND CASH EQUIVALENTS, end of year	\$ 1,621,990	\$ 1,455,751

NATIONAL HONEY BOARD

STATEMENTS OF CHANGES IN FUND BALANCE - MODIFIED CASH BASIS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Fund Balance</u>
FUND BALANCE, December 31, 2014	\$ 1,091,697	\$ 200,000	\$ 1,291,697
Excess of expenditures over revenue	257,084	-	257,084
Change in inventory included in industry services	(5,686)	-	(5,686)
Change in fund balance	<u>251,398</u>	<u>-</u>	<u>251,398</u>
FUND BALANCE, December 31, 2015	<u>\$ 1,343,095</u>	<u>\$ 200,000</u>	<u>\$ 1,543,095</u>
Excess of revenue over expenditures	179,951	-	179,951
Change in inventory included in industry services	(11,715)	-	(11,715)
Change in fund balance	<u>168,236</u>	<u>-</u>	<u>168,236</u>
FUND BALANCE, December 31, 2016	<u><u>\$ 1,511,331</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 1,711,331</u></u>

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization. In 2008, the United States Department of Agriculture (the Department) conducted a referendum to determine if eligible first handlers and importers of honey or honey products favored the implementation of a new order that would cover those packers and importers who handled more than 250,000 pounds of honey annually. The referendum received a favorable vote and, accordingly, a new Honey Packers and Importers Research, Promotion, Consumer Education, and Industry Information Order (the Order) was established on May 21, 2008. Official operation began on October 1, 2008.

The purpose of the National Honey Board (the Board) is to establish an effective and coordinated program of research, promotion and consumer education designed to strengthen the position of the honey industry in the marketplace and maintain, develop and expand markets for honey and honey products. For financial reporting purposes, the Board is considered a quasi-governmental agency of the U.S. government. The Board is exempt from income taxes under the Internal Revenue Code.

As stipulated by the Act, the Secretary of Agriculture must conduct a referendum every seven years to determine if first handlers and importers of honey or honey products favor the continuation, suspension or termination of the Order.

The National Honey Board is governed by the Agricultural Marketing Service (AMS) of the United States Department of Agriculture (USDA). On September 10, 1998, AMS issued *Guidelines for Financial Audits*, which is applicable to all research and promotion boards governed by AMS under the Specialty Crops Program. These financial statements are prepared in accordance with these guidelines.

Basis of Accounting. These financial statements are prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis, revenues are recognized as collected, and expenses are generally recognized when they are paid, with the following exception: depreciation is provided for property and equipment. Consequently, the financial statements do not include amounts due from first handlers or importers, amounts due vendors and suppliers, or accrued liabilities. The Board does not use encumbrance accounting. The salaries directly associated with the programs are charged to their respective program budget accounts rather than to the general and administrative salary account.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assessment Revenue. Assessment revenue is generated by a mandatory assessment of \$.015 and \$.0125 per pound of honey and honey products domestically produced or imported into the United States for the years ending December 31, 2016 and 2015, respectively. The first handler is responsible for paying the assessment to the Board. The assessment on imported honey and honey products is paid by the importer at the time of entry into the United States and is remitted to the Board by the United States Customs Service. A first handler who handles less than 250,000 pounds of honey or honey products per calendar year, a first handler who operates under an approved National Organic Program (NOP)

(7 CFR part 205) system plan, or an importer who imports less than 250,000 pounds of honey or honey products per calendar year are exempt from paying assessments. The Order includes provisions for the granting of exemptions and refunds of assessments where deemed appropriate by the Board.

Property and Equipment. Property and equipment are stated at cost. Depreciation and amortization are computed over the assets' estimated useful lives utilizing the straight-line method. The cost of maintenance and repairs is charged against income as incurred; significant renewals, betterments and improvements in excess of \$500 are capitalized. Depreciation expense totaled \$7,063 and \$5,808 for the years ended December 31, 2016 and 2015, respectively.

Budgets. The Board's annual budget is also prepared on the modified cash basis of accounting, except for the following:

1. Depreciation expense is not included in budgeted expenditures,
2. Budget carryovers from the previous year are treated as revenue for budget purposes, and
3. Capital expenditures are treated as operating expenditures for budget purposes.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Therefore, comparison of actual operations on the modified cash basis to the budget basis is not appropriate. However, a statement comparing the budget basis to actual results is included in the supplemental data to the financial statements. The adjustments necessary to convert the results of operations from the budget basis to the modified cash basis are presented in the following schedule:

	2016	
	Budget Basis	Modified Cash Basis
Excess of revenue over expenditures	\$ -	\$ 179,951
Excess of revenue over expenditures (Schedule 1)	1,630,225	-
Add: Net additions to equipment included as budget basis expenditures	12,597	-
Less: Depreciation and loss on disposal of assets	(7,419)	-
Carry over balance included as budget basis revenue	(1,455,452)	-
Excess of revenue over expenditures	\$ 179,951	\$ 179,951

All annual appropriations are at the total net asset level and lapse at year-end. The budget for 2016 and all amendments thereto were approved by the Governing Board and the Agricultural Marketing Service of the USDA.

Program Expenses. Program expenses include payments to subcontractors in conjunction with the Board’s research, promotion, and consumer education projects. Additionally, a portion of the Board’s expenses for salaries and wages, payroll taxes and worker’s compensation, employee insurance and benefits, employee pension plan contributions and office expenses are recorded as program expenses.

Income Taxes. The Board is classified as an instrumentality of the United States Government which is not subject to income taxes by the Internal Revenue Service pursuant to Internal Revenue Code Section 115(a). Accordingly, no provision for income taxes is reflected in these financial statements. Also, the Board is exempt from all local and state sales taxes except for those sales and excise taxes on utilities and travel.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments. Investments are stated at cost or amortized cost which approximates market value.

Inventories. Inventories are stated at the lower of cost or market value. Cost is computed on a first-in, first-out (FIFO) basis. Inventories consisted of promotional materials in the amount of \$36,364 and \$48,079 for the years ended December 31, 2016 and 2015, respectively.

Cash and Cash Equivalents. For purposes of cash flows, cash and cash equivalents are defined as all demand deposit accounts and money market accounts in financial institutions.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements. The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the *FASB Accounting Standards Codification*.

For the years ended December 31, 2016 and 2015, the Board has no financial assets or liabilities that are required to be measured at fair value measurements.

NOTE 2 – CASH

For the year ended December 31, 2016, the bank balance of the Board's operating cash deposits was covered by federal depository insurance and by eligible collateral.

At December 31, the carrying value of cash consisted of the following:

	2016
Demand deposit accounts at U. S. Bank	\$ 1,621,690
Petty cash	300
Cash on hand and in banks	<u>\$ 1,621,990</u>

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

NOTE 3 – EMPLOYEE BENEFIT PLANS

Simplified Employee Pension Plan. On February 25, 1988, the predecessor Board adopted a tax-deferred Simplified Employee Pension (SEP) plan for Board employees who are at least 20 years of age, have worked for the Board in at least one of the immediately preceding 5 years, and received compensation from the Board for the year of at least \$450. Employee participants may elect a salary reduction contribution of 15.97% of gross pay with a limit of \$17,500 per year. The Board contributes a percentage of an employee's annual salary to the plan and employees vest immediately. This plan was carried over to the current Board. Contributions to the plan totaled \$34,916 and \$45,522 for the years ended December 31, 2016 and 2015, respectively.

Flexible Benefit or Cafeteria Plan. On January 1, 1992, the predecessor Board adopted a qualified cafeteria plan pursuant to Internal Revenue Code Section 125, which provides employee health care insurance, group term life insurance, dependent care assistance, dental insurance, and/or medical reimbursements to substantially all employees. This plan was transferred to the new Board on October 1, 2008. The Board's cost for health insurance and other employee benefits was \$98,186 and \$95,999 for the years ended December 31, 2016 and 2015, respectively.

NOTE 4 – OPERATING LEASES

Office Leases. The Board leases general office space under an operating lease. The original lease agreement was extended from January 31, 2012 to January 31, 2017. An additional extension has been included to extend until January 31, 2022, with a base rate of \$4,582 per month for the year ending December 31, 2016. The lease includes a provision that should the U.S. Secretary of Agriculture terminate the current National Honey Board, the Board may terminate this lease by providing the lessor with at least ninety days written notice.

Per the terms of the lease, on January 1, and each year thereafter, and if the Board elects to exercise its option to extend the term of the Agreement, then on the first annual anniversary of the commencement of the Option term of the Agreement and each year thereafter, the base rent payable by the Board shall be increased from the base rental amount payable for the prior lease year. This amount is determined by multiplying the rent specified above by a fraction, the denominator of which shall be the Consumer Price Index figure published most recently prior to the Lease Commencement Date, and the numerator of which shall be the most recent Consumer Price Index figure published immediately prior to the date of the adjustment—provided, however that in no event shall the rent for any month after such adjustment be less than the rent for the month immediately preceding the adjustment.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

NOTE 4 – OPERATING LEASES - continued

Equipment Lease. The Board leases equipment under operating lease agreements through January 2018. The leases grant the Board the right to renew on a month-to-month basis once the initial term expires.

Expenses under the office lease and other operating leases totaled \$108,896 and \$110,335 for the years ended December 31, 2016 and 2015, respectively.

Future minimum rental payments and lease payments due during the years ending December 31 are as follows:

<u>Year</u>	<u>Equipment Lease</u>	<u>Office Lease</u>	<u>Total Obligations</u>
2017	\$ 2,172	\$ 76,751	\$ 78,923
2018	2,172	76,751	78,923
2019	-	76,751	76,751
2020	-	76,751	76,751
2021	-	76,751	76,751
Total	<u>\$ 4,344</u>	<u>\$ 383,755</u>	<u>\$ 388,099</u>

NOTE 5 – INVESTMENTS AND COMPLIANCE WITH INVESTMENT POLICY

The Board is required to follow the Agricultural Marketing Service (AMS) investment policy. Accordingly, the Board 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. Investment securities are carried at cost.

As of December 31, 2016, the National Honey Board's deposits are held in a checking account at U.S. Bank which has agreed to pay an interest rate equivalent to the "Target Federal Funds Rate" less 15 basis points.

As of December 31, 2016 and 2015, the Board was in compliance with the guidelines for collateralization of investment funds as established by the Agricultural Marketing Service.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2016 and 2015

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially expose the Board to concentrations of credit risk, as defined by Financial Accounting Standards Board, Statement No. 105, primarily consist of cash. The Board places its temporary cash investments with high credit quality financial institutions and U.S. Government short-term investments. The USDA requires that the amounts invested at the financial institutions be fully collateralized. Therefore, the Board had no significant concentrations of credit risk during the years ended December 31, 2016 and 2015.

NOTE 7 – COMMITMENTS

Funding Agreements. The Board has entered into various funding agreements and contracts with various contractors and vendors during the years ended December 31, 2016 and 2015 in order to carry out the Board's activities.

Compensated Absences. Employees of the Board are eligible for paid vacation time depending on length of service and other factors. Unused vacation time may be accumulated to a maximum of 30 days (240 hours) and is paid to the employee upon termination of employment with the Board. The financials are prepared on a modified cash basis of accounting and therefore compensated absences are not accrued on the balance sheet. In 2016, the Board adopted a policy that any unused Paid Time Off (PTO) at year-end would be lost and not carried over into the new year. On December 31, 2016, all outstanding vacation balances were paid to employees. For the year ending December 31, 2015, the liability for compensated absences was estimated at \$36,121.

NOTE 8 – RELATED PARTIES

As of December 31, 2016 and 2015, the National Honey Board had received domestic and import assessments that had been paid by Board members' companies.

NOTE 9 – SUBSEQUENT EVENT

Subsequent events have been evaluated through April 5, 2017, which was the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

NATIONAL HONEY BOARD

SCHEDULE OF REVENUE AND EXPENDITURES -
ACTUAL COMPARED TO BUDGET (BUDGET BASIS)

Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Carryover balance	\$ 1,648,500	\$ 1,455,451	\$ 1,455,451	\$ -
Assessments	7,916,700	6,716,700	6,742,080	25,380
Investment income	400	400	338	(62)
Other (merchandise sales, donations)	28,600	28,600	28,010	(590)
	<u>9,594,200</u>	<u>8,201,151</u>	<u>8,225,879</u>	<u>24,728</u>
EXPENDITURES				
Administrative expenditures -				
Administrative (Office)	506,300	506,300	535,911	(29,611)
Administrative (Board)	93,800	93,800	65,260	28,540
Administrative (Federal)	88,200	88,200	95,809	(7,609)
Total administrative expenditures	<u>688,300</u>	<u>688,300</u>	<u>696,980</u>	<u>(8,680)</u>
Capital expenditures (property and equipment)	10,000	10,000	12,597	(2,597)
Permanent reserve	200,000	200,000	-	200,000
Total purchases	<u>210,000</u>	<u>210,000</u>	<u>12,597</u>	<u>197,403</u>
Program expenses -				
Advertising, public relations and research	8,595,900	7,202,851	5,857,056	1,345,795
Emerging opportunities	100,000	100,000	29,022	70,978
Total program expenses	<u>8,695,900</u>	<u>7,302,851</u>	<u>5,886,078</u>	<u>1,416,773</u>
Total expenditures	<u>9,594,200</u>	<u>8,201,151</u>	<u>6,595,655</u>	<u>1,605,496</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,630,224</u>	<u>\$ 1,630,224</u>

NATIONAL HONEY BOARD

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES -
ACTUAL COMPARED TO BUDGET (BUDGET BASIS)

Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL & ADMINISTRATIVE:				
ADMINISTRATIVE (Office)				
Salaries and wages	\$ 201,100	\$ 201,100	\$ 201,504	\$ (404)
Payroll taxes and workers' compensation	15,700	15,700	15,705	(5)
Employee insurance and benefits	34,800	34,800	31,454	3,346
Employee pension plan	12,000	12,000	12,442	(442)
Program office expense	75,200	75,200	93,764	(18,564)
Facilities expense	107,500	107,500	106,426	1,074
Professional services	18,200	18,200	39,982	(21,782)
Travel	41,800	41,800	34,634	7,166
Total administrative (Office)	<u>\$ 506,300</u>	<u>\$ 506,300</u>	<u>\$ 535,911</u>	<u>\$ (29,611)</u>
ADMINISTRATIVE (Board)				
Board of Directors	<u>\$ 93,800</u>	<u>\$ 93,800</u>	<u>\$ 65,260</u>	<u>\$ 28,540</u>
Total administrative (Board)	<u>\$ 93,800</u>	<u>\$ 93,800</u>	<u>\$ 65,260</u>	<u>\$ 28,540</u>
ADMINISTRATIVE (Federal)				
USDA user fee	<u>\$ 88,200</u>	<u>\$ 88,200</u>	<u>\$ 95,809</u>	<u>\$ (7,609)</u>
Total administrative (Federal)	<u>\$ 88,200</u>	<u>\$ 88,200</u>	<u>\$ 95,809</u>	<u>\$ (7,609)</u>
Total general and administrative expenses	<u><u>\$ 688,300</u></u>	<u><u>\$ 688,300</u></u>	<u><u>\$ 696,980</u></u>	<u><u>\$ (8,680)</u></u>
Capital expenditures	\$ 10,000	\$ 10,000	\$ 12,597	\$ (2,597)
Permanent reserves	200,000	200,000	-	200,000
Total purchases	<u><u>\$ 210,000</u></u>	<u><u>\$ 210,000</u></u>	<u><u>\$ 12,597</u></u>	<u><u>\$ 197,403</u></u>

NATIONAL HONEY BOARD

**SCHEDULE OF PROGRAM EXPENSES -
ACTUAL COMPARED TO BUDGET (BUDGET BASIS)
Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
PROGRAM EXPENSES:				
ADVERTISING, PUBLIC RELATIONS AND RESEARCH				
Focus Area 1: Research	\$ 795,800	\$ 816,068	\$ 673,680	\$ 142,388
Focus Area 2: Marketing and promotion	6,689,700	5,489,699	4,306,502	1,183,197
Prior year carryovers	544,300	330,984	326,285	4,699
Total Focus Area 1 and 2	<u>8,029,800</u>	<u>6,636,751</u>	<u>5,306,467</u>	<u>1,330,284</u>
Salaries and wages	422,400	422,400	419,147	3,253
Payroll taxes and workers' compensation	32,900	32,900	30,474	2,426
Employee insurance and benefits	73,200	73,200	66,732	6,468
Employee pension plan	24,200	24,200	22,474	1,726
Program office expenses	<u>13,400</u>	<u>13,400</u>	<u>11,762</u>	<u>1,638</u>
Total advertising, public relations and research	<u>\$ 8,595,900</u>	<u>\$ 7,202,851</u>	<u>\$ 5,857,056</u>	<u>\$ 1,345,795</u>
EMERGING OPPORTUNITIES				
Contract fees and expenditures	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 29,022</u>	<u>\$ 70,978</u>
Total emerging opportunities	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 29,022</u>	<u>\$ 70,978</u>
Total Program Expenses	<u><u>\$ 8,695,900</u></u>	<u><u>\$ 7,302,851</u></u>	<u><u>\$ 5,886,078</u></u>	<u><u>\$ 1,416,773</u></u>
Total expenditures	<u>9,594,200</u>	<u>8,201,151</u>	<u>6,595,655</u>	<u>1,605,496</u>
Net revenue and carryover less expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,630,224</u>	<u>\$ 1,630,224</u>

NATIONAL HONEY BOARD

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended December 31, 2016

SOURCES OF CASH RECEIPTS

Assessments	\$ 6,742,080
Investment income	338
Other (merchandise sales, donations)	28,010
Total receipts	<u>6,770,428</u>

DISBURSEMENTS

Administrative -	
Office	544,445
Board	65,260
Federal	95,809
Advertising, public relations, and research	5,857,056
Emerging opportunities	29,022
Total disbursements	<u>6,591,592</u>

Excess of receipts over disbursements, before other sources and uses of cash

178,836

OTHER SOURCES AND USES OF CASH

Purchase of equipment	<u>(12,597)</u>
Total other sources (uses) of cash	<u>(12,597)</u>

Excess of receipts and other sources and uses of cash over disbursements

166,239

CASH, beginning of year

1,455,751

CASH, end of year

\$ 1,621,990

NATIONAL HONEY BOARD

SCHEDULE OF FUNCTIONAL EXPENSES
 BUDGET BASIS
 Year Ended December 31, 2016

	Focus Area			Subtotal	Administrative			Capital Expenditures	Total
	1 - Research	2 - Marketing & Promotion	3 - Emerging Opportunities		Office	Board	Federal		
Program expenses	\$ 823,909	\$ 4,482,558	\$ 29,022	\$ 5,335,489	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and wages	23,304	395,843	-	419,147	201,504	-	-	-	201,504
Payroll taxes and workers comp	1,955	28,519	-	30,474	15,705	-	-	-	15,705
Employee insurance and benefits	4,281	62,451	-	66,732	31,454	-	-	-	31,454
Employee pension plan	2,796	19,678	-	22,474	12,442	-	-	-	12,442
Office expenses	2,220	9,542	-	11,762	93,764	-	-	-	93,764
Subtotal	34,556	516,033	-	550,589	354,869	-	-	-	354,869
Facilities expense	-	-	-	-	106,426	-	-	-	106,426
Professional services	-	-	-	-	39,982	-	-	-	39,982
Administrative travel	-	-	-	-	34,634	-	-	-	34,634
Board expenses	-	-	-	-	-	65,260	-	-	65,260
Federal fees and expenses	-	-	-	-	-	-	95,809	-	95,809
Capital expenditures	-	-	-	-	-	-	-	12,597	12,597
Total functional expenses	\$ 858,465	\$ 4,998,591	\$ 29,022	\$ 5,886,078	\$ 535,911	\$ 65,260	\$ 95,809	\$ 12,597	\$ 709,577

**INDEPENDENT AUDITORS' 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***

Governing Board
National Honey Board
Firestone, Colorado

We have audited, in accordance with the 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 accompanying balance sheets—modified cash basis of the National Honey Board for the years ending December 31, 2016 and 2015, and the related statements of revenue, expenses, and changes in fund balance—modified cash basis, and cash flows—modified cash basis for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the National Honey 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the National Honey Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the National Honey Board'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 the National Honey Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 National Honey Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clausen + Associates

Certified Public Accountants

April 5, 2017