

NATIONAL HONEY BOARD

**Financial Statements
Year Ended December 31, 2017**

NATIONAL HONEY BOARD
December 31, 2017

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INDEPENDENT AUDITORS' REPORT

Governing Board
National Honey Board
Frederick, Colorado

We have audited the accompanying balance sheet—modified accrual basis of the National Honey Board for the year ending December 31, 2017, and the related statement of revenue, expenses, and changes in fund balance—modified accrual basis, and cash flow—modified accrual basis for the period 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 auditors' 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 accrual basis of the National Honey Board, as of December 31, 2017 and its revenue, expenses, and changes in fund balance for the year 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 17 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 10, 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 10, 2017

NATIONAL HONEY BOARD

BALANCE SHEET—MODIFIED ACCRUAL BASIS

December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash in banks (Note 2)	\$ 2,443,617
Receivables	60,641
Prepaid expenses	8,179
Fulfillment inventory	37,093
Total current assets	<u>2,549,530</u>
PROPERTY AND EQUIPMENT	
Computer equipment	26,306
Office machines and equipment	24,635
Images portfolio	50,000
	<u>100,941</u>
Less accumulated depreciation	(80,678)
Net property and equipment	<u>20,263</u>
OTHER ASSETS	
Deposits on leases	<u>525</u>
TOTAL ASSETS	<u><u>\$ 2,570,318</u></u>
LIABILITIES AND FUND BALANCE	
CURRENT LIABILITIES	
Accrued liabilities	\$ 598,749
Retirement and FSA payable	6,713
Total current liabilities	<u>605,462</u>
COMMITMENTS AND CONTINGENCIES (Notes 4, 6 and 7)	
FUND BALANCE	
Unrestricted	714,856
Restricted - budgetary reserve	<u>1,250,000</u>
Fund balance	<u>1,964,856</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,570,318</u></u>

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

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NATIONAL HONEY BOARD

**STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND BALANCE—MODIFIED ACCRUAL BASIS
Year Ended December 31, 2017**

REVENUE

Assessments	\$ 8,870,028
Assessments refunds	(589,737)
Net assessment revenue	<u>8,280,291</u>
Investment income	700
Other (merchandise sales, donations)	15,543
Total revenue	<u>8,296,534</u>

EXPENSES

Program expenses	
Research	980,276
Marketing & promotion	6,061,573
Total program expenses (Schedule 3)	<u>7,041,849</u>
Administrative expenses	
Administrative (Office)	521,322
Administrative (Board)	80,389
Administrative (Federal)	99,300
Total administrative expenses (Schedule 2)	<u>701,011</u>
Total expenses	<u>7,742,860</u>

EXCESS OF REVENUE OVER (UNDER) EXPENDITURES 553,674

FUND BALANCE, beginning of year 1,411,182

FUND BALANCE, end of year \$ 1,964,856

NATIONAL HONEY BOARD

STATEMENT OF CASH FLOWS—MODIFIED ACCRUAL BASIS
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of revenue over (under) expenditures	\$ 553,674
Adjustments to reconcile change in net assets to net cash from operating activities -	
(Increase) decrease in receivables	(15,599)
(Increase) decrease in prepaid supplies	23,611
(Increase) decrease in fulfillment inventory	(729)
(Increase) decrease in deposits	8,963
(Decrease) increase in accrued liabilities	240,831
(Decrease) increase in payables	6,713
Depreciation expense	<u>12,578</u>
Net cash provided (used) by operating activities	<u>830,042</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	<u>(8,114)</u>
Net cash provided (used) by investing activities	<u>(8,114)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 821,928

CASH AND CASH EQUIVALENTS, beginning of year 1,621,689

CASH AND CASH EQUIVALENTS, end of year \$ 2,443,617

NATIONAL HONEY BOARD

STATEMENT OF CHANGES IN FUND BALANCE—MODIFIED ACCRUAL BASIS
December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Fund Balance</u>
FUND BALANCE, December 31, 2016	\$ 161,182	\$ 1,250,000	\$ 1,411,182
Excess of revenue over expenditures	<u>553,674</u>	<u>-</u>	<u>553,674</u>
FUND BALANCE, December 31, 2017	<u>\$ 714,856</u>	<u>\$ 1,250,000</u>	<u>\$ 1,964,856</u>

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

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 Order, 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 2015, AMS issued *Guidelines for AMS Oversight of Commodity Research and Promotion Programs*, 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 accrual 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 accrual basis, revenues are recognized when they are both measurable and available. Expenditures are recorded on a full accrual basis because they are always measurable when they are incurred. Consequently, the financial statements do not include amounts due from first handlers or importers.

Single Year Presentation. For the year ended December 31, 2016, the Board presented the financial statements on a modified cash basis of accounting which recognized income when it was received and expenses when they are paid. For the year ended December 31, 2017, the Board changed to a modified accrual basis of accounting which is not comparable to the prior year audited financial statements presented on the modified cash basis, and therefore a single year has been presented for the year ending December 31, 2017.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assessment Revenue. Assessment revenue is generated by a mandatory assessment of \$.015 per pound of honey and honey products domestically produced or imported into the United States for the year ending December 31, 2017. 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 is 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 \$1,000 are capitalized. Depreciation expense totaled \$12,578 for the year ended December 31, 2017.

Budgets. The Board's annual budget is prepared on a cash basis of accounting, and include the following:

1. Depreciation expenses are included in budgeted expenditures,
2. Cash carry-overs from the previous year are treated as revenue for budget purposes, and
3. Capital expenditures are budgeted as a separate line item on the budget and not included in the operation section.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 accrual basis are presented in the following schedule:

	2017	
	Budget Basis	Modified Accrual Basis
Excess of revenue over expenditures	\$ -	\$ 553,674
Excess of revenue over expenditures (Schedule 1)	2,167,550	-
Add: Net additions to equipment included as budget basis expenditures	8,114	-
Carry-over balance included as budget basis revenue	(1,621,990)	-
Excess of revenue over expenditures	\$ 553,674	\$ 553,674

All annual appropriations are at the total net asset level and lapse at year-end. The budget for 2017 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 Year Ended December 31, 2017

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 \$37,093 for the year ended December 31, 2017.

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 year ended December 31, 2017, 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, 2017, the bank balance of the Board's operating cash deposits was covered by federal depository insurance and by eligible collateral.

At December 31, 2017, the carrying value of cash consisted of the following:

Demand deposit accounts at U. S. Bank	\$ 2,443,617
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NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 3 – EMPLOYEE BENEFIT PLANS

401k Plan. In 2017 the Board established a 401k plan for its employees. The Board contributes 6% of an eligible employee's annual earning to the employee's 401k. An employee must be at least 21 years of age and have completed six months of service. Participation entry date will be the first day of the month following the date the employee satisfies the eligibility requirements. The Board's 401k contribution was \$46,528 for the year ended December 31, 2017.

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 \$78,935 for the year ended December 31, 2017.

NOTE 4 – OPERATING LEASES

Office Leases. In July of 2017, the Board terminated its office lease due to structural issues with the office space. The effects of this termination have not been determined as of the date of the financial statements. There is no pending litigation regarding this termination. In November 2017, the Board signed a monthly lease agreement for one office suite in Frederick, Colorado. The lease commenced on November 15, 2017, and the term of the lease is month-to-month. Both the landlord and tenant shall have the right to terminate the lease at any time during the term by giving the other party a thirty-day notice. The Board's staff worked remotely until enough office space had been obtained in February 2018, when the Board signed a monthly lease agreement for two additional office suites in Frederick, Colorado. The lease commenced on February 15, 2018, and terminates on December 31, 2018.

NATIONAL HONEY BOARD

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2017

NOTE 4 – OPERATING LEASES - continued

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

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

<u>Year</u>	<u>Equipment Lease</u>	<u>Office Lease</u>	<u>Total Obligations</u>
2018	\$ 5,598	\$ 27,840	\$ 33,438
2019	3,854	-	3,854
2020	3,854	-	3,854
2021	3,854	-	3,854
2022	321	-	321
Total	\$ 17,481	\$ 27,840	\$ 45,321

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, 2017, 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, 2017, 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 Year Ended December 31, 2017

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 year ended December 31, 2017.

NOTE 7 – COMMITMENTS

Funding Agreements. The Board has entered into various funding agreements and contracts with various contractors and vendors during the year ended December 31, 2017, in order to carry out the Board's activities.

Compensated Absences. Beginning on the first day of the first full month of employment, each employee scheduled to work 30 or more hours per pay period will receive their Paid Time Off (PTO) balance for their appropriate level and based on their length of service as defined in the employee handbook. PTO is front loaded at the beginning of each calendar year. PTO balances do not carry over from year to year. Employees who leave the company during the year will have their remaining PTO balance paid out to them.

NOTE 8 – RELATED PARTIES

As of December 31, 2017, the National Honey Board had received domestic and import assessments that had been paid by Board members' companies.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 10, 2018, 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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Carry-over balance	\$ 1,131,311	\$ 1,621,990	\$ 1,621,990	\$ -
Assessments	6,950,000	7,750,000	8,280,291	530,291
Investment income	300	300	700	400
Other (merchandise sales, donations)	25,000	25,000	15,543	(9,457)
Net available revenue	8,106,611	9,397,290	9,918,524	521,234
EXPENDITURES				
Administrative expenditures				
Administrative (Office)	441,406	534,333	521,322	13,011
Administrative (Board)	85,000	85,000	80,389	4,611
Administrative (Federal)	98,000	123,000	99,300	23,700
Total administrative expenditures	624,406	742,333	701,011	41,322
Program expenses				
Advertising, public relations and research	7,162,205	7,314,350	7,041,849	272,501
Emerging opportunities	100,000	100,000	-	100,000
Total program expenses	7,262,205	7,414,350	7,041,849	372,501
Capital expenditures	20,000	-	8,114	(8,114)
Total expenditures	7,906,611	8,156,683	7,750,974	405,709
EXCESS OF REVENUE OVER EXPENDITURES				
	\$ 200,000	\$ 1,240,607	\$ 2,167,550	\$ (926,943)
Board reserve	200,000	200,000	250,000	(50,000)
Operating cash reserve	-	800,000	1,000,000	(200,000)
Total reserves	200,000	1,000,000	1,250,000	(250,000)
EXCESS OF REVENUE OVER EXPENDITURES AND RESERVES				
	\$ -	\$ 240,607	\$ 917,550	\$ (676,943)

NATIONAL HONEY BOARD

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

Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
GENERAL & ADMINISTRATIVE:				
ADMINISTRATIVE (Office)				
Salaries and wages	\$ 170,100	\$ 175,100	\$ 180,225	\$ (5,125)
Payroll taxes and workers' compensation	12,938	16,137	13,667	2,470
Employee insurance and benefits	28,788	23,444	22,600	844
Employee pension plan	10,964	10,507	14,960	(4,453)
Program office expense	73,000	139,630	115,144	24,486
Facilities expense	95,597	102,000	83,996	18,004
Professional services	32,277	49,900	78,995	(29,095)
Travel	17,742	17,615	11,735	5,880
Total administrative (Office)	<u>441,406</u>	<u>534,333</u>	<u>521,322</u>	<u>13,011</u>
ADMINISTRATIVE (Board)				
Board of Directors	<u>85,000</u>	<u>85,000</u>	<u>80,389</u>	<u>4,611</u>
Total administrative (Board)	<u>85,000</u>	<u>85,000</u>	<u>80,389</u>	<u>4,611</u>
ADMINISTRATIVE (Federal)				
USDA user fee	<u>98,000</u>	<u>123,000</u>	<u>99,300</u>	<u>23,700</u>
Total administrative (Federal)	<u>98,000</u>	<u>123,000</u>	<u>99,300</u>	<u>23,700</u>
Total general and administrative expenses	<u>\$ 624,406</u>	<u>\$ 742,333</u>	<u>\$ 701,011</u>	<u>\$ 41,322</u>

NATIONAL HONEY BOARD

SCHEDULE OF PROGRAM EXPENSES—ACTUAL COMPARED TO BUDGET (BUDGET BASIS)
Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
PROGRAM EXPENSES:				
ADVERTISING, PUBLIC RELATIONS AND RESEARCH				
Focus Area 1: Research	\$ 622,300	\$ 959,842	\$ 918,293	\$ 41,549
Focus Area 2: Marketing and promotion	5,363,700	5,656,560	5,398,656	257,904
Prior year carryovers	507,870	-	-	-
Total Focus Area 1 and 2	<u>6,493,870</u>	<u>6,616,402</u>	<u>6,316,949</u>	<u>299,453</u>
Salaries and wages	504,800	533,741	576,560	(42,819)
Payroll taxes and workers' compensation	38,410	40,864	37,204	3,660
Employee insurance and benefits	85,458	59,367	56,336	3,031
Employee pension plan	27,697	32,025	31,567	458
Program office expenses	11,970	31,951	23,233	8,718
Total advertising, public relations and research	<u>7,162,205</u>	<u>7,314,350</u>	<u>7,041,849</u>	<u>272,501</u>
EMERGING OPPORTUNITIES				
Contract fees and expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total emerging opportunities	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Program Expenses	<u>7,262,205</u>	<u>7,414,350</u>	<u>7,041,849</u>	<u>372,501</u>
Capital expenditures	<u>20,000</u>	<u>-</u>	<u>8,114</u>	<u>(8,114)</u>
Total expenditures	<u>7,282,205</u>	<u>7,414,350</u>	<u>7,049,963</u>	<u>364,387</u>
Net revenue and carry over less expenditures	<u>200,000</u>	<u>1,240,607</u>	<u>2,167,550</u>	<u>(926,944)</u>
Board reserves	200,000	200,000	250,000	(50,000)
Operating reserves	-	800,000	1,000,000	(200,000)
Total reserves	<u>200,000</u>	<u>1,000,000</u>	<u>1,250,000</u>	<u>(250,000)</u>
Excess of revenue over expenditures and reserves	<u>\$ -</u>	<u>\$ 240,607</u>	<u>\$ 917,550</u>	<u>\$ (676,943)</u>

SCHEDULE 4

NATIONAL HONEY BOARD

SCHEDULE OF FUNCTIONAL EXPENSES

BUDGET BASIS

Year Ended December 31, 2017

	Focus Area			Subtotal	Administrative			Capital Expenditures	Total
	1 - Research	2 - Marketing & Promotion	3 - Emerging Opportunities		Office	Board	Federal		
Program expenses	\$ 918,293	\$ 5,398,656	\$ -	\$ 6,316,949	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and wages	50,517	526,043	-	576,560	180,225	-	-	-	180,225
Payroll taxes and workers comp	2,219	34,985	-	37,204	13,667	-	-	-	13,667
Employee insurance and benefits	3,263	53,073	-	56,336	22,600	-	-	-	22,600
Employee pension plan	2,794	28,773	-	31,567	14,960	-	-	-	14,960
Office expenses	3,190	20,043	-	23,233	115,144	-	-	-	115,144
Subtotal	61,983	662,917	-	724,900	346,596	-	-	-	346,596
Facilities expense	-	-	-	-	83,996	-	-	-	83,996
Professional services	-	-	-	-	78,995	-	-	-	78,995
Administrative travel	-	-	-	-	11,735	-	-	-	11,735
Board expenses	-	-	-	-	-	80,389	-	-	80,389
Federal fees and expenses	-	-	-	-	-	-	99,300	-	99,300
Capital expenditures	-	-	-	-	-	-	-	8,114	8,114
Total functional expenses	<u>\$ 980,276</u>	<u>\$ 6,061,573</u>	<u>\$ -</u>	<u>\$ 7,041,849</u>	<u>\$ 521,322</u>	<u>\$ 80,389</u>	<u>\$ 99,300</u>	<u>\$ 8,114</u>	<u>\$ 709,125</u>

**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
Frederick, 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 sheet—modified accrual basis of the National Honey Board for the year ending December 31, 2017 and the related statement of revenue, expenses, and changes in fund balance—modified accrual basis, and cash flows—modified accrual basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 10, 2018.

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 10, 2018**