



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants

AMERICAN PECAN COUNCIL

Compiled Financial Statements

For the One Month and One Year Ended September 30, 2018

515 West Harris Avenue • Post Office Box 71 • San Angelo, Texas 76902-0071

Phone (325) 653-6854 • Fax (325) 655-5857 • www.armstrongbackus.com



ARMSTRONG, BACKUS & CO., LLP
Certified Public Accountants

To the Board of Directors of
American Pecan Council

ACCOUNTANTS' COMPILATION REPORT

Management is responsible for the accompanying financial statements of American Pecan Council (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018 and the related statements of activities, statements of functional expenses, and cash flows for the one month and one year then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Supplementary Information

The supplementary information included in the operating budget for the one month and one year ended September 30, 2018 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

We are not independent with respect to the American Pecan Council.

Armstrong, Backus & Co., L.L.P.

San Angelo, Texas
October 8, 2018

An independently owned member
RSM US Alliance



AMERICAN PECAN COUNCIL
Statement of Financial Position

As of September 30, 2018

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	7,572,030
Prepaid Expenses		<u>103,259</u>
Total Current Assets	\$	<u>7,675,289</u>

Fixed Assets:

Property, Plant, and Equipment	\$	47,289
Accumulated Depreciation	(<u>8,181)</u>
Total Fixed Assets	\$	<u>39,108</u>

Other Assets:

Security Deposit	\$	<u>2,400</u>
Total Other Assets	\$	<u>2,400</u>

TOTAL ASSETS	\$	<u><u>7,716,797</u></u>
---------------------	----	-------------------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	<u>1,921,480</u>
Total Current Liabilities	\$	<u>1,921,480</u>
Total Liabilities	\$	<u>1,921,480</u>

Net Assets:

Without Donor Restriction	\$	<u>5,795,317</u>
Total Net Assets	\$	<u>5,795,317</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>7,716,797</u></u>
---	----	-------------------------

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Statement of Activities

For the One Month Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Assessment Income	\$ 484,208	\$ -0-	\$ 484,208
Interest Earned	25,906	-0-	25,906
Total Revenue	<u>\$ 510,114</u>	<u>\$ -0-</u>	<u>\$ 510,114</u>
Expenses:			
Program Expense	\$ 1,359,681	\$ -0-	\$ 1,359,681
Management and General	1,232,784	-0-	1,232,784
Total Expenses	<u>\$ 2,592,465</u>	<u>\$ -0-</u>	<u>\$ 2,592,465</u>
Change in Net Assets	(\$ 2,082,351)	\$ -0-	(\$ 2,082,351)
Net Assets, Beginning	<u>7,877,668</u>	<u>\$ -0-</u>	<u>7,877,668</u>
Net Assets, Ending	<u>\$ 5,795,317</u>	<u>\$ -0-</u>	<u>\$ 5,795,317</u>

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Statement of Functional Expenses

For the One Month Ended September 30, 2018

	<u>Program Expense</u>	<u>Management and General</u>	<u>Total</u>
APC Expenses	\$ -0-	\$ 17,987	\$ 17,987
Compliance	-0-	9,992	9,992
Depreciation Expense	-0-	788	788
Data and Statistics	-0-	24,545	24,545
General and Administrative	-0-	74,201	74,201
Industry Communication and Database Management	-0-	5,271	5,271
Marketing	1,359,681	-0-	1,359,681
Strategic Planning	-0-	1,100,000	1,100,000
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 1,359,681	\$ 1,232,784	\$ 2,592,465

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Statement of Activities

For the One Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Assessment Income	\$ 10,873,669	\$ -0-	\$ 10,873,669
Donations	5	-0-	5
Interest Earned	96,527	-0-	96,527
Other Income	1,965	-0-	1,965
	<hr/>	<hr/>	<hr/>
Total Revenue	\$ 10,972,166	\$ -0-	\$ 10,972,166
	<hr/>	<hr/>	<hr/>
Expenses:			
Program Expense	\$ 6,459,125	\$ -0-	\$ 6,459,125
Management and General	2,056,663	-0-	2,056,663
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 8,515,788	\$ -0-	\$ 8,515,788
	<hr/>	<hr/>	<hr/>
Change in Net Assets	\$ 2,456,378	\$ -0-	\$ 2,456,378
	<hr/>	<hr/>	<hr/>
Net Assets, as Previously Stated	\$ 4,288,245	\$ -0-	\$ 4,288,245
	<hr/>	<hr/>	<hr/>
Prior Period Adjustment	(949,306)	\$ -0-	(949,306)
	<hr/>	<hr/>	<hr/>
Net Assets, as Restated	\$ 3,338,939	\$ -0-	\$ 3,338,939
	<hr/>	<hr/>	<hr/>
Net Assets, Ending	\$ 5,795,317	\$ -0-	\$ 5,795,317
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Statement of Functional Expenses

For the One Year Ended September 30, 2018

	<u>Program Expense</u>	<u>Management and General</u>	<u>Total</u>
APC Expenses	\$ -0-	\$ 170,820	\$ 170,820
Capital Items	-0-	2,480	2,480
Compliance	-0-	38,388	38,388
Depreciation Expense	-0-	8,042	8,042
Data and Statistics	-0-	39,241	39,241
General and Administrative	-0-	691,912	691,912
Industry Communication and Database Management	-0-	5,780	5,780
Marketing	6,263,284	-0-	6,263,284
Research	195,841	-0-	195,841
Strategic Planning	-0-	1,100,000	1,100,000
	<u>\$ 6,459,125</u>	<u>\$ 2,056,663</u>	<u>\$ 8,515,788</u>
Total Expenses			

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Statements of Cash Flows

For the One Month and One Year Ended September 30, 2018

	<u>One Month</u>	<u>One Year</u>
Cash Flows From Operating Activities:		
Cash Received from Assessments	\$ 484,208	\$ 10,873,669
Cash Received from Donors	-0-	5
Cash Received from Interest Earned	25,906	96,527
Cash Paid for Salary and Benefits	(31,292)	(72,128)
Cash Paid for Operating Expenses	(765,871)	(8,386,672)
Net Cash Provided (Used) by Operating Activities	<u>(\$ 287,049)</u>	<u>\$ 2,511,401</u>
Cash Flows From Investing Activities:		
Purchases of Property, Plant, and Equipment	\$ -0-	(\$ 43,141)
Net Cash Provided (Used) by Investing Activities	<u>\$ -0-</u>	<u>(\$ 43,141)</u>
Net Increase (Decrease) in Cash	(\$ 287,049)	\$ 2,468,260
Cash, Beginning of Period	<u>7,859,079</u>	<u>5,103,770</u>
Cash, End of Period	<u><u>\$ 7,572,030</u></u>	<u><u>\$ 7,572,030</u></u>
Reconciliation of Increase (Decrease) in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Increase (Decrease) in Net Assets	(\$ 2,082,351)	\$ 2,456,378
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	788	8,042
Changes in Assets and Liabilities:		
(Increase) Decrease in Prepaid Expenses	19,468	(103,259)
(Increase) Decrease in Accounts Receivable	-0-	-0-
(Increase) Decrease in Security Deposit	-0-	(400)
Increase (Decrease) in Accounts Payable	1,778,504	150,640
Increase (Decrease) in Payroll Tax Payable	(3,458)	-0-
Net Cash Provided (Used) by Operating Activities	<u>(\$ 287,049)</u>	<u>\$ 2,511,401</u>

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Operating Budget

For the One Month and One Year Ended September 30, 2018

	One Month Ended September 30, 2018		One Year Ended September 30, 2018	
	Actual	Operating Budget	Actual	Operating Budget
Revenue:				
2016 Assessment Income - Carry Over	\$ 5,970	\$ 333,333	\$ 2,466,606	\$ 4,000,000
2017 Assessment Income	478,238	522,667	8,407,063	6,272,000
Donations	-0-	-0-	5	-0-
Interest Earned	25,906	3,917	96,527	47,000
Other Income	-0-	250	1,965	3,000
Total Revenue	\$ 510,114	\$ 860,167	\$ 10,972,166	\$ 10,322,000
Expenses:				
Administration and Program Support:				
General and Administrative:				
Salaries and Benefits	\$ 39,372	\$ 28,750	\$ 228,337	\$ 345,000
Employee Benefits	-0-	3,333	-0-	40,000
Payroll Taxes	3,012	2,500	18,608	30,000
Professional Services and Fees	10,859	3,750	38,204	45,000
Staff Travel	14,006	3,750	51,860	45,000
Accounting Services	-0-	3,333	21,129	40,000
Rent and Utilities	2,670	2,917	32,437	35,000
Contract Labor	-0-	1,083	113,671	13,000
Telephone/Internet/Mobile	1,753	833	7,731	10,000
Office Expenses General	894	542	49,364	6,500
Subscriptions/Conference Registrations/Dues	1,596	417	8,349	5,000
Fidelity Bond Insurance	-0-	333	1,921	4,000
Maintenance/Repairs	-0-	292	156	3,500
Executive Search Firm Fees	-0-	10,417	119,433	125,000
Depreciation Expense	788	-0-	8,042	-0-
Miscellaneous	39	167	712	2,000
Total General and Administrative	\$ 74,989	\$ 62,417	\$ 699,954	\$ 749,000

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Operating Budget

For the One Month and One Year Ended September 30, 2018

	One Month Ended September 30, 2018		One Year Ended September 30, 2018	
	Actual	Operating Budget	Actual	Operating Budget
APC Expenses:				
Council Travel	\$ 15,187	\$ 13,333	\$ 98,531	\$ 160,000
Meetings Expenses	1,742	2,917	50,112	35,000
Working Group and Committee Expense	866	2,000	21,926	24,000
D&O Insurance	192	250	251	3,000
Economic Demand Study	-0-	2,083	-0-	25,000
Total APC Expenses	\$ 17,987	\$ 20,583	\$ 170,820	\$ 247,000
Compliance:				
Sheller/Handler Visits and Audits (Contracted)	\$ 9,600	\$ 8,500	\$ 13,246	\$ 102,000
Compliance Travel	-0-	4,583	9,308	55,000
GAGAS Audit	-0-	2,500	11,275	30,000
Records and Accounting	-0-	833	-0-	10,000
Printing/Forms/Postage	392	417	4,559	5,000
Total Compliance	\$ 9,992	\$ 16,833	\$ 38,388	\$ 202,000
Data and Statistics:				
NASS Crop Estimates	\$ 24,545	\$ 11,250	\$ 36,818	\$ 135,000
Consulting and Research - Contractor	-0-	18,750	2,423	225,000
Total Data and Statistics	\$ 24,545	\$ 30,000	\$ 39,241	\$ 360,000
Industry Communication and Database Management:				
Salaries and Benefits (One-Half Employee)	\$ -0-	\$ 3,500	\$ -0-	\$ 42,000
Database Program/Website Management/Website Maintenance	5,271	1,667	5,780	20,000
Total Industry Communication and Database Management	\$ 5,271	\$ 5,167	\$ 5,780	\$ 62,000

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Operating Budget

For the One Month and One Year Ended September 30, 2018

	One Month Ended September 30, 2018		One Year Ended September 30, 2018	
	Actual	Operating Budget	Actual	Operating Budget
Strategic Planning:				
Strategic Planning	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Total Strategic Planning	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>
 Total Administrative and Program Support	 <u>\$ 1,232,784</u>	 <u>\$ 1,235,000</u>	 <u>\$ 2,054,183</u>	 <u>\$ 2,720,000</u>
Capital Items:				
Computer/Phone Systems/Furniture/Build-out	\$ -0-	\$ 3,333	\$ 2,480	\$ 40,000
Total Capital Items	<u>\$ -0-</u>	<u>\$ 3,333</u>	<u>\$ 2,480</u>	<u>\$ 40,000</u>
Research and Marketing:				
Research:				
Funding Request	\$ -0-	\$ 31,250	\$ 195,841	\$ 375,000
Total Research	<u>\$ -0-</u>	<u>\$ 31,250</u>	<u>\$ 195,841</u>	<u>\$ 375,000</u>
Marketing:				
Weber Shandwick 2017 - Expenses Not Yet Invoiced or Paid	\$ -0-	\$ 80,333	\$ -0-	\$ 964,000
Weber Shandwick 2018 - Projected Expenses	1,359,681	416,667	4,518,058	5,000,000
Unallocated or Available for Carry Over into 2019	-0-	98,000	1,228,039	1,176,000
International Marketing	-0-	41,667	500,000	500,000
Database Portal Development Website	-0-	3,750	-0-	45,000
Salaries and Benefits (One-Half Employee)	-0-	3,500	-0-	42,000
Printing and Design/Other	-0-	2,500	5,279	30,000
Immersion Tours	-0-	2,500	11,908	30,000
Total Marketing	<u>\$ 1,359,681</u>	<u>\$ 648,917</u>	<u>\$ 6,263,284</u>	<u>\$ 7,787,000</u>
 Total Research and Marketing	 <u>\$ 1,359,681</u>	 <u>\$ 680,167</u>	 <u>\$ 6,459,125</u>	 <u>\$ 8,162,000</u>
 Total Expenses	 <u>\$ 2,592,465</u>	 <u>\$ 1,918,500</u>	 <u>\$ 8,515,788</u>	 <u>\$ 10,922,000</u>
 Change in Net Assets	 <u>(\$ 2,082,351)</u>	 <u>(\$ 1,058,333)</u>	 <u>\$ 2,456,378</u>	 <u>(\$ 600,000)</u>

See Accountants' Compilation Report.