



ARMSTRONG BACKUS & CO., LLP

Certified Public Accountants

AMERICAN PECAN COUNCIL

Compiled Financial Statements

For the One Month and Eight Months Ended May 31, 2019

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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 government), which comprise the balance sheet as of May 31, 2019 and the related statements of revenues, expenses, and changes in net position, cash flows, and budgetary comparison schedule for the one month and eight months 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.

Accounting principles generally accepted in the United States of America require that the following supplementary information on page 4 through page 6 be presented to supplement the basic financial statements:

Budgetary Comparison Schedule

Such information is presented for purposes of additional analysis and, although not a required 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. This information is the representation of management. We have not performed an audit, review or compilation on the required supplementary information and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on such information.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 content.

Management has elected to omit substantially all of the disclosures 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 government's net position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

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Supplementary Information

The supplementary information included in the operating budget for the one month and eight months ended May 31, 2019 and year ended September 30, 2019 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
June 13, 2019

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AMERICAN PECAN COUNCIL

Balance Sheet

As of May 31, 2019

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	6,502,367
Accounts Receivable		689,938
Prepaid Expenses		35,618

Total Current Assets \$ 7,227,923

Fixed Assets:

Property, Plant, and Equipment	\$	47,289
Accumulated Depreciation	(14,486)

Total Fixed Assets \$ 32,803

Other Assets:

Security Deposit	\$	2,400
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Total Other Assets \$ 2,400

TOTAL ASSETS

\$ 7,263,126

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$	535,246
Payroll Liability		326

Total Current Liabilities \$ 535,572

Total Liabilities \$ 535,572

Net Position:

Unrestricted	\$	6,727,554
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Total Net Position \$ 6,727,554

TOTAL LIABILITIES AND NET POSITION

\$ 7,263,126

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Statements of Revenues, Expenses, and Changes in Net Position

For the One Month and Eight Months Ended May 31, 2019

	<u>One Month</u>	<u>Eight Months</u>
Operating Revenues:		
Assessment Income	\$ 393,400	\$ 7,231,258
Total Operating Revenue	<u>\$ 393,400</u>	<u>\$ 7,231,258</u>
Operating Expenses:		
General Administrative:		
Staff and Administrative	\$ 59,038	\$ 486,506
Insurance	2,957	8,569
Compliance	21,613	128,728
Other General Administrative	46,266	244,676
Industry Relations	4,518	46,946
Marketing	5,839	3,600,999
Research	-0-	55,517
Strategic Planning	-0-	1,100,000
Standardization	-0-	292,398
Total Operating Expenses	<u>\$ 140,231</u>	<u>\$ 5,964,339</u>
Nonoperating Revenues:		
Interest Earned	<u>\$ 12,954</u>	<u>\$ 102,619</u>
Total Nonoperating Revenues	<u>\$ 12,954</u>	<u>\$ 102,619</u>
Change in Net Position	<u>\$ 266,123</u>	<u>\$ 1,369,538</u>
Net Position, as Previously Stated	\$ 7,142,871	\$ 5,795,315
Prior Period Adjustment	<u>(681,440)</u>	<u>(437,299)</u>
Net Position, as Restated	<u>\$ 6,461,431</u>	<u>\$ 5,358,016</u>
Net Position, Ending	<u><u>\$ 6,727,554</u></u>	<u><u>\$ 6,727,554</u></u>

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Statements of Cash Flows

For the One Month and Eight Months Ended May 31, 2019

	<u>One Month</u>	<u>Eight Months</u>
Cash Flows From Operating Activities:		
Cash Received from Assessments	\$ 389,357	\$ 6,541,320
Cash Received from Interest Earned	12,954	102,619
Cash Paid for Salary and Benefits	(59,038)	(486,506)
Cash Paid for Operating Expenses	(290,192)	(7,227,096)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ 53,081	(\$ 1,069,663)
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Net Increase (Decrease) in Cash	\$ 53,081	(\$ 1,069,663)
	<hr/>	<hr/>
Cash, Beginning of Period	6,449,286	7,572,030
	<hr/>	<hr/>
Cash, End of Period	\$ 6,502,367	\$ 6,502,367
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Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Income (Loss) from Operations	\$ 266,123	\$ 1,369,538
Adjustments to Reconcile Operation Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	788	6,305
Changes in Assets and Liabilities:		
(Increase) Decrease in Prepaid Expenses	(16,860)	67,833
(Increase) Decrease in Accounts Receivable	(4,043)	(689,938)
Increase (Decrease) in Accounts Payable	(193,253)	(1,823,727)
Increase (Decrease) in Payroll Tax Payable	326	326
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Net Cash Provided (Used) by Operating Activities	\$ 53,081	(\$ 1,069,663)
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See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Budgetary Comparison Schedule

For the Eight Months Ended May 31, 2019

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Operating Revenue:				
2016 Assessment Income - Carry Over	\$ -0-	\$ -0-	\$ 366	\$ 366
2017 Assessment Income	-0-	-0-	331,359	331,359
2017 - 2018 Remaining	733,327	733,327	390,505	(342,822)
2018 - 2019 Improved	5,002,000	5,002,000	5,810,923	808,923
2018 - 2019 Native/Seedlings	488,000	488,000	316,971	(171,029)
2018 - 2019 Substandard	244,000	244,000	381,134	137,134
Total Operating Revenue	\$ 6,467,327	\$ 6,467,327	\$ 7,231,258	\$ 763,931
Operating Expenses:				
General Administrative:				
Staff and Administrative:				
Salaries	\$ 520,000	\$ 520,000	\$ 417,892	\$ 102,108
Benefits	53,333	53,333	36,067	17,266
Taxes	57,200	57,200	32,547	24,653
Total Staff and Administrative	\$ 630,533	\$ 630,533	\$ 486,506	\$ 144,027
Insurance:				
Travel	\$ 1,667	\$ 1,667	\$ -0-	\$ 1,667
General	5,333	5,333	3,458	1,875
D&O/Members	10,000	10,000	5,111	4,889
Fidelity	2,667	2,667	-0-	2,667
Total Insurance	\$ 19,667	\$ 19,667	\$ 8,569	\$ 11,098
Compliance:				
Attorney/Crisis Management	\$ 16,667	\$ 16,667	\$ 7,130	\$ 9,537
Audit Financial	20,000	20,000	10,500	9,500
Compliance Travel	36,667	36,667	220	36,447
Sheller/Handler Audits	73,333	73,333	107,207	(33,874)
Printing/Forms/Postage	3,333	3,333	3,671	(338)
Total Compliance	\$ 150,000	\$ 150,000	\$ 128,728	\$ 21,272
Accounting/Financials	\$ 30,000	\$ 30,000	\$ 51,102	(\$ 21,102)
Telephone/Mobile/Internet	6,667	6,667	5,391	1,276
Travel Office	30,000	30,000	12,874	17,126
Travel Committee	106,667	106,667	92,190	14,477
Supplies	6,667	6,667	6,055	612
Maintenance/Buildout	13,333	13,333	7,850	5,483
Printing	10,000	10,000	3,959	6,041
IT/Furniture/Software	26,667	26,667	12,218	14,449
Subscriptions	3,334	3,334	13,600	(10,266)
Depreciation	-0-	-0-	6,305	(6,305)
Miscellaneous	2,661	2,661	8,283	(5,622)
Rent & Utilities	30,000	30,000	24,849	5,151
Total General Administrative	\$ 1,066,196	\$ 1,066,196	\$ 868,479	\$ 197,717

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Budgetary Comparison Schedule

For the Eight Months Ended May 31, 2019

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Contingency Fund:				
Contingency Fund	\$ 1,602,467	\$ 1,602,467	\$ -0-	\$ 1,602,467
Total Contingency Fund	\$ 1,602,467	\$ 1,602,467	\$ -0-	\$ 1,602,467
Industry Relations:				
Annual Reports	\$ 10,000	\$ 10,000	\$ -0-	\$ 10,000
Informational Materials	23,333	23,333	1,546	21,787
Travel/Handler Visits Workshop Materials	33,333	33,333	32,677	656
WS - Field Events	520,000	520,000	12,723	507,277
Total Industry Relations	\$ 586,666	\$ 586,666	\$ 46,946	\$ 539,720
Marketing:				
APC Events:				
Fruit Logistical	\$ 10,000	\$ 10,000	\$ 11,583	(\$ 1,583)
Asia Logistical	10,000	10,000	-0-	10,000
PMA	6,667	6,667	7,085	(418)
Total APC Events	\$ 26,667	\$ 26,667	\$ 18,668	\$ 7,999
Weber Shandwick	\$ 2,000,000	\$ 2,000,000	\$ 3,264,991	(\$ 1,264,991)
Market Access Program Assistance	166,667	166,667	-0-	166,667
Branded Materials/Give Away	50,000	50,000	2,915	47,085
APC Travel for Events	16,667	16,667	12,146	4,521
USDA Marketing Events	6,667	6,667	2,251	4,416
Miscellaneous	3,328	3,328	300,028	(296,700)
Total Marketing	\$ 2,269,996	\$ 2,269,996	\$ 3,600,999	(\$ 1,331,003)
Research:				
Health Benefit Baseline Study	\$ 176,667	\$ 176,667	\$ -0-	\$ 176,667
Nut Health	66,667	66,667	50,517	16,150
Contingency Fund	266,668	266,668	5,000	261,668
Total Research	\$ 510,002	\$ 510,002	\$ 55,517	\$ 454,485
Strategic Planning:				
Strategic Planning	\$ -0-	\$ -0-	\$ 1,100,000	(\$ 1,100,000)
Total Strategic Planning	\$ -0-	\$ -0-	\$ 1,100,000	(\$ 1,100,000)

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Budgetary Comparison Schedule

For the Eight Months Ended May 31, 2019

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Standardization:				
NASS Survey:				
January Prelim Report	\$ 105,333	\$ 105,333	\$ 98,182	\$ 7,151
December Crop Estimate	100,000	100,000	-0-	100,000
Total NASS Survey	<u>\$ 205,333</u>	<u>\$ 205,333</u>	<u>\$ 98,182</u>	<u>\$ 107,151</u>
Contingency Fund	\$ 156,667	\$ 156,667	\$ 192,000	(\$ 35,333)
Travel	10,000	10,000	2,216	7,784
Electronic Reporting Forms	60,000	60,000	-0-	60,000
Total Standardization	<u>\$ 432,000</u>	<u>\$ 432,000</u>	<u>\$ 292,398</u>	<u>\$ 139,602</u>
Total Operating Expenses	<u>\$ 6,467,327</u>	<u>\$ 6,467,327</u>	<u>\$ 5,964,339</u>	<u>\$ 502,988</u>
Nonoperating Revenue:				
Interest Earned	\$ -0-	\$ -0-	\$ 102,619	\$ 102,619
Total Nonoperating Revenue	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 102,619</u>	<u>\$ 102,619</u>
Change in Net Position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,369,538</u>	<u>\$ 1,369,538</u>

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Operating Budget

**For the One Month and Eight Months Ended May 31, 2019
and the Year Ended September 30, 2019**

	One Month Ended May 31, 2019		Eight Months Ended May 31, 2019		Fiscal Year Ended September 30, 2019
	Actual	Operating Budget	Actual	Operating Budget	Operating Budget
Operating Revenue:					
2016 Assessment Income - Carry Over	\$ -0-	\$ -0-	\$ 366	\$ -0-	\$ -0-
2017 Assessment Income	-0-	-0-	331,359	-0-	-0-
2017 - 2018 Remaining	-0-	91,667	390,505	733,327	1,100,000
2018 - 2019 Improved	360,987	625,250	5,810,923	5,002,000	7,503,000
2018 - 2019 Native/Seedlings	7,395	61,000	316,971	488,000	732,000
2018 - 2019 Substandard	25,018	30,500	381,134	244,000	366,000
Total Operating Revenue	\$ 393,400	\$ 808,417	\$ 7,231,258	\$ 6,467,327	\$ 9,701,000
Operating Expenses:					
General Administrative:					
Staff and Administrative:					
Salaries	\$ 50,167	\$ 65,000	\$ 417,892	\$ 520,000	\$ 780,000
Benefits	5,082	6,667	36,067	53,333	80,000
Taxes	3,789	7,150	32,547	57,200	85,800
Total Staff and Administrative	\$ 59,038	\$ 78,817	\$ 486,506	\$ 630,533	\$ 945,800
Insurance:					
Travel	\$ -0-	\$ 208	\$ -0-	\$ 1,667	\$ 2,500
General	2,326	667	3,458	5,333	8,000
D&O/Members	631	1,250	5,111	10,000	15,000
Fidelity	-0-	333	-0-	2,667	4,000
Total Insurance	\$ 2,957	\$ 2,458	\$ 8,569	\$ 19,667	\$ 29,500

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Operating Budget

**For the One Month and Eight Months Ended May 31, 2019
and the Year Ended September 30, 2019**

	One Month Ended May 31, 2019		Eight Months Ended May 31, 2019		Fiscal Year Ended September 30, 2019
	Actual	Operating Budget	Actual	Operating Budget	Operating Budget
Compliance:					
Attorney/Crisis Management	\$ 1,285	\$ 2,083	\$ 7,130	\$ 16,667	\$ 25,000
Audit Financial	-0-	2,500	10,500	20,000	30,000
Compliance Travel	-0-	4,583	220	36,667	55,000
Sheller/Handler Audits	20,000	9,167	107,207	73,333	110,000
Printing/Forms/Postage	328	417	3,671	3,333	5,000
Total Compliance	\$ 21,613	\$ 18,750	\$ 128,728	\$ 150,000	\$ 225,000
Accounting/Financials	\$ -0-	\$ 3,750	\$ 51,102	\$ 30,000	\$ 45,000
Telephone/Mobile/Internet	1,412	833	5,391	6,667	10,000
Travel Office	3,102	3,750	12,874	30,000	45,000
Travel Committee	26,043	13,333	92,190	106,667	160,000
Supplies	1,148	833	6,055	6,667	10,000
Maintenance/Buildout	-0-	1,667	7,850	13,333	20,000
Printing	36	1,250	3,959	10,000	15,000
IT/Furniture/Software	254	3,333	12,218	26,667	40,000
Subscriptions	10,765	417	13,600	3,334	5,000
Depreciation	788	-0-	6,305	-0-	-0-
Miscellaneous	-0-	333	8,283	2,661	4,000
Rent & Utilities	2,718	3,750	24,849	30,000	45,000
Total General Administrative	\$ 129,874	\$ 133,274	\$ 868,479	\$ 1,066,196	\$ 1,599,300
Contingency Fund:					
Contingency Fund	\$ -0-	\$ 200,308	\$ -0-	\$ 1,602,467	\$ 2,403,700
Total Contingency Fund	\$ -0-	\$ 200,308	\$ -0-	\$ 1,602,467	\$ 2,403,700

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Operating Budget

**For the One Month and Eight Months Ended May 31, 2019
and the Year Ended September 30, 2019**

	One Month Ended May 31, 2019		Eight Months Ended May 31, 2019		Fiscal Year Ended September 30, 2019
	Actual	Operating Budget	Actual	Operating Budget	Operating Budget
Industry Relations:					
Annual Reports	\$ -0-	\$ 1,250	\$ -0-	\$ 10,000	\$ 15,000
Informational Materials	-0-	2,917	1,546	23,333	35,000
Travel/Handler Visits Workshop Materials	518	4,167	32,677	33,333	50,000
WS - Field Events	4,000	65,000	12,723	520,000	780,000
Total Industry Relations	\$ 4,518	\$ 73,334	\$ 46,946	\$ 586,666	\$ 880,000
Marketing:					
APC Events:					
Fruit Logistical	\$ -0-	\$ 1,250	\$ 11,583	\$ 10,000	\$ 15,000
Asia Logistical	-0-	1,250	-0-	10,000	15,000
PMA	10	833	7,085	6,667	10,000
Total APC Events	\$ 10	\$ 3,333	\$ 18,668	\$ 26,667	\$ 40,000
Weber Shandwick	\$ -0-	\$ 250,000	\$ 3,264,991	\$ 2,000,000	\$ 3,000,000
Market Access Program Assistance	-0-	20,833	-0-	166,667	250,000
Branded Materials/Give Away	-0-	6,250	2,915	50,000	75,000
APC Travel for Events	5,829	2,083	12,146	16,667	25,000
USDA Marketing Events	-0-	833	2,251	6,667	10,000
Miscellaneous	-0-	420	300,028	3,328	5,000
Total Marketing	\$ 5,839	\$ 283,752	\$ 3,600,999	\$ 2,269,996	\$ 3,405,000
Research:					
Health Benefit Baseline Study	\$ -0-	\$ 22,083	\$ -0-	\$ 176,667	\$ 265,000
Nut Health	-0-	8,333	50,517	66,667	100,000
Contingency Fund	-0-	33,333	5,000	266,668	400,000
Total Research	\$ -0-	\$ 63,749	\$ 55,517	\$ 510,002	\$ 765,000

See Accountants' Compilation Report.

AMERICAN PECAN COUNCIL

Operating Budget

**For the One Month and Eight Months Ended May 31, 2019
and the Year Ended September 30, 2019**

	One Month Ended May 31, 2019		Eight Months Ended May 31, 2019		Fiscal Year Ended September 30, 2019	
	Actual	Operating Budget	Actual	Operating Budget	Operating Budget	
Strategic Planning:						
Strategic Planning	\$ -0-	\$ -0-	\$ 1,100,000	\$ -0-	\$ -0-	\$ -0-
Total Strategic Planning	\$ -0-	\$ -0-	\$ 1,100,000	\$ -0-	\$ -0-	\$ -0-
Standardization:						
NASS Survey:						
January Prelim Report	\$ -0-	\$ 13,167	\$ 98,182	\$ 105,333	\$ 158,000	\$ 158,000
December Crop Estimate	\$ -0-	\$ 12,500	\$ -0-	\$ 100,000	\$ 150,000	\$ 150,000
Total NASS Survey	\$ -0-	\$ 25,667	\$ 98,182	\$ 205,333	\$ 308,000	\$ 308,000
Contingency Fund	\$ -0-	\$ 19,583	\$ 192,000	\$ 156,667	\$ 235,000	\$ 235,000
Travel	\$ -0-	\$ 1,250	\$ 2,216	\$ 10,000	\$ 15,000	\$ 15,000
Electronic Reporting Forms	\$ -0-	\$ 7,500	\$ -0-	\$ 60,000	\$ 90,000	\$ 90,000
Total Standardization	\$ -0-	\$ 54,000	\$ 292,398	\$ 432,000	\$ 648,000	\$ 648,000
Total Operating Expenses	\$ 140,231	\$ 808,417	\$ 5,964,339	\$ 6,467,327	\$ 9,701,000	\$ 9,701,000
Nonoperating Revenue:						
Interest Earned	\$ 12,954	\$ -0-	\$ 102,619	\$ -0-	\$ -0-	\$ -0-
Total Nonoperating Revenue	\$ 12,954	\$ -0-	\$ 102,619	\$ -0-	\$ -0-	\$ -0-
Change in Net Position	\$ 266,123	\$ -0-	\$ 1,369,538	\$ -0-	\$ -0-	\$ -0-

See Accountants' Compilation Report.