

AMERICAN PECAN COUNCIL

Financial Statements

For the Year Ended September 30, 2020

AMERICAN PECAN COUNCIL

Financial Statements

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Members of
American Pecan Council
Fort Worth, Texas

Report on the Financial Statements

We have audited the accompanying statement of net position of the American Pecan Council (the Council) as of September 30, 2020 and the related statement of revenues, expenses, and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements.

Management's Responsibility for the Financial Statements

The Council's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of September 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council's basic financial statements. The accompanying budgetary comparison schedule for the enterprise fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule for the enterprise fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the enterprise fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2021 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council's internal control over financial reporting and compliance.



Abilene, Texas
August 10, 2021

AMERICAN PECAN COUNCIL

Management’s Discussion and Analysis

As management of the American Pecan Council (the Council) we offer readers this narrative overview and analysis of the financial activities of the Council for the year ended September 30, 2020. The Management’s Discussion and Analysis should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council’s basic financial statements. The Council’s basic financial statements are comprised of four components: 1) Statement of Net Position – Enterprise Fund, 2) Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund, 3) Statement of Cash Flows – Enterprise Fund, and 4) Notes to the Basic Financial Statements.

Financial Analysis of the Council’s Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Council has a proprietary fund, an enterprise fund.

Proprietary Fund

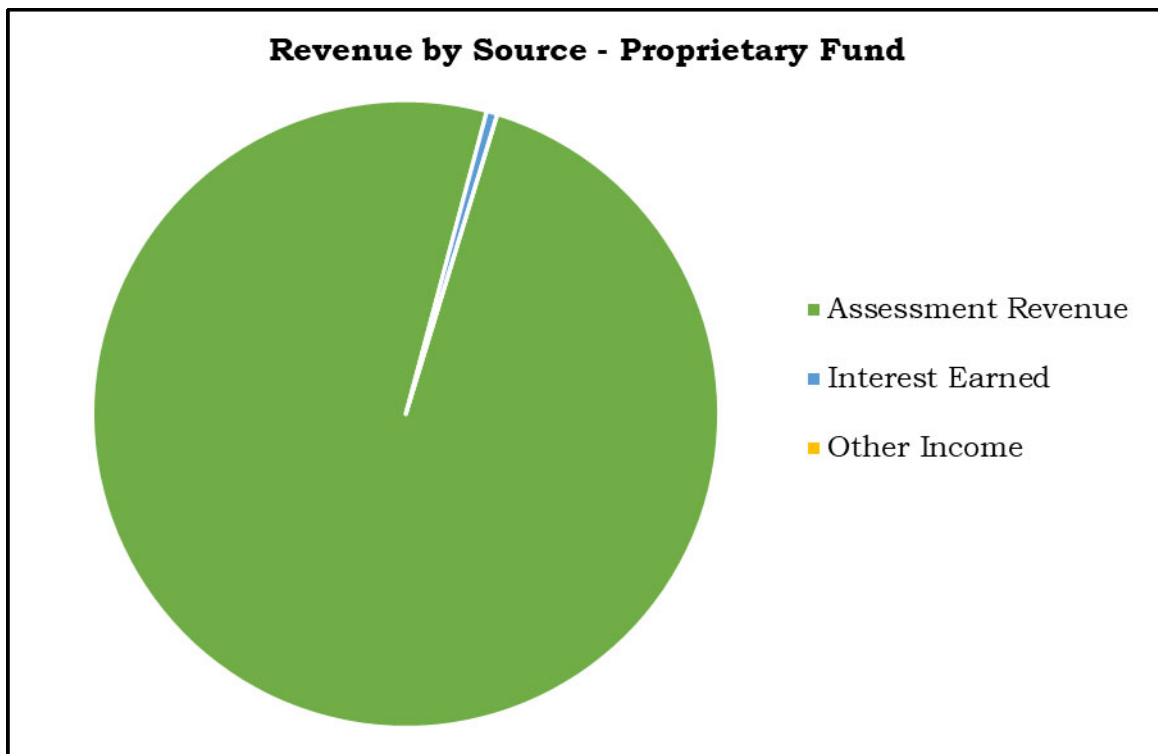
The Council’s proprietary fund, specifically an enterprise fund, reported unrestricted net position of \$5,113,343, a decrease of \$91,613 or 1.79% in comparison with the prior year. The net decrease is due to the Council’s decrease in net position including a increase in current liabilities resulting from an increase in industry research, international relations, and marketing expenses.

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current and Other Assets	\$ 6,258,962	\$ 5,938,936
Non-Current Assets	22,759	29,651
Total Assets	<u>\$ 6,281,721</u>	<u>\$ 5,968,587</u>
LIABILITIES:		
Current Liabilities	\$ 1,145,619	\$ 733,980
Total Liabilities	<u>\$ 1,145,619</u>	<u>\$ 733,980</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 22,759	\$ 29,651
Unrestricted	5,113,343	5,204,956
Total Net Position	<u>\$ 5,136,102</u>	<u>\$ 5,234,607</u>
Total Liabilities and Net Position	<u>\$ 6,281,721</u>	<u>\$ 5,968,587</u>

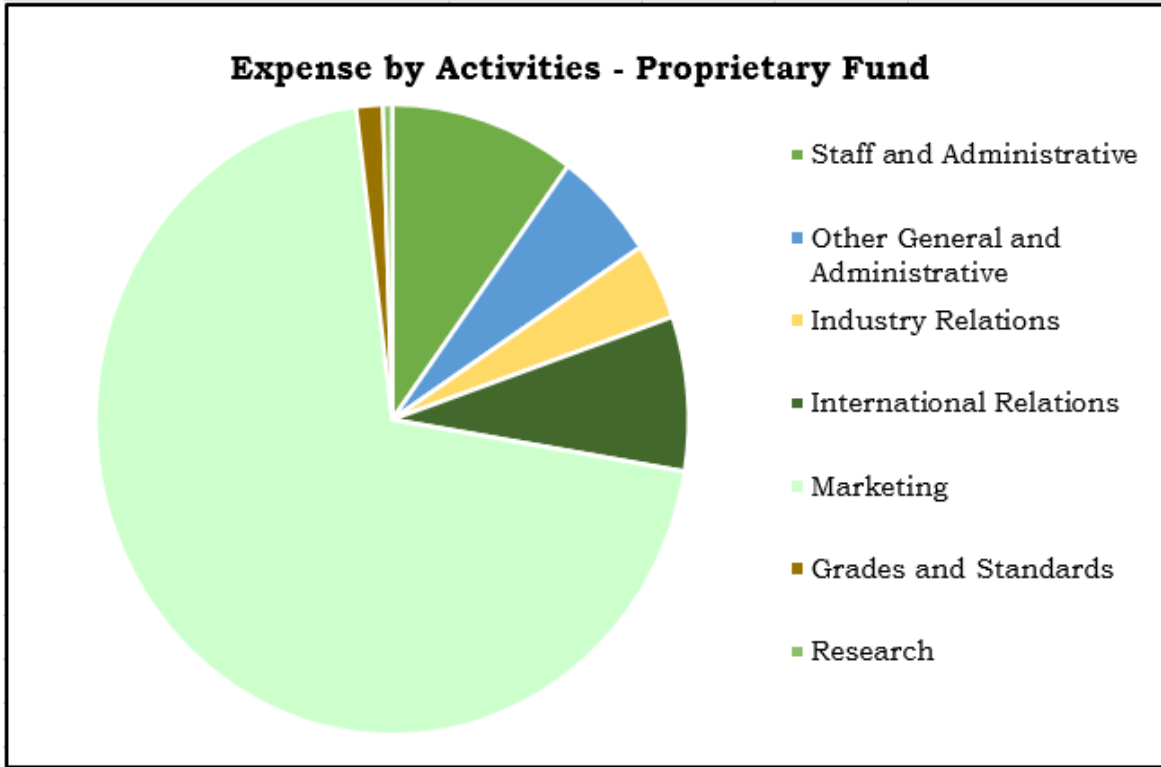
The Council’s total net position decreased by \$67,878 for the fiscal year ended in September 30, 2020. The current year decrease in net position is due to a decrease in assessment income. The rise in COVID-19 resulted in the closure of many restaurants. As a result, handlers showed a decline in the sale of pecans and therefore reported less assessments.

	2020	2019
REVENUE:		
Operating Revenue	\$ 7,936,582	\$ 8,436,288
Nonoperating Revenue	44,312	145,595
Total Revenue	<u>\$ 7,980,894</u>	<u>\$ 8,581,883</u>
EXPENSES:		
Operating Expenses	\$ 8,039,474	\$ 8,705,100
Nonoperating Expenses	9,298	-0-
Total Expenses	<u>\$ 8,048,772</u>	<u>\$ 8,705,100</u>
Change in Net Position	(\$ 67,878)	(\$ 123,217)
Net Position, Beginning	5,234,607	5,357,824
Prior Period Adjustment	(30,627)	-0-
Net Position, Ending	<u>\$ 5,136,102</u>	<u>\$ 5,234,607</u>

Revenues for the Council are categorized in the chart below. Of the Council's \$7,980,894 total revenue, \$7,936,582 or 99.44% represents assessment revenue and \$44,312 or 0.56% represents interest revenue.



Expenses for the Council are categorized in the following chart. Of the Council's \$8,039,474 total operating expenses, \$813,446 or 10.12% relates to staff and administrative expenses, \$456,498 or 5.68% relates to other general and administrative expenses, \$315,219 or 3.92% relates to industry relations, \$5,660,807 or 70.41% relates to marketing, \$636,794 or 7.92% relates to international relations, \$116,710 or 1.45% relates to grades and standards, and \$40,000 or .50% relates to research.



The Council has total assets of \$6,281,721, which includes net capital assets of \$22,759. This is an increase in total assets of \$313,134. The total change is the net effect of a \$337,603 decrease in cash, \$710,306 increase in accounts receivable, \$56,152 decrease in prepaid expense, \$6,892 decrease in capital assets, and \$3,475 increase in security deposit.

Capital Assets

As of the year ended September 30, 2020, the Council had \$22,759 (net of accumulated depreciation) invested in a broad range of capital assets, including equipment, furniture and fixtures, and lease improvements. The current year increase in depreciation is the primary cause of the decrease in net capital assets of \$6,892.

	Enterprise Activities	
	2020	2019
Equipment	\$ 16,633	\$ 15,780
Furniture and Fixtures	18,526	23,472
Leasehold Improvements	5,761	8,037
Less: Accumulated Depreciation	(18,161)	(17,638)
Net Capital Assets	<u>\$ 22,759</u>	<u>\$ 29,651</u>

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes to the basic financial statements, this report also presents certain supplementary information concerning the original and amended budgetary schedules.

Budget

The Council's board of directors approved the fiscal 2021 budget on August 19, 2020. Operating revenues were less than budgeted by \$328,418. Additionally, the Council's operating expenses were less than budgeted by \$1,518,338.

Future Economic Factors and Next Year's Budget

The Council has approved a budget of expenses for the Enterprise Fund in the amount of \$9,557,812 for the year ending September 30, 2020, which is an increase of \$1,292,812 from the fiscal year 2020.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Council's finances for all those with an interest in the Council's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: American Pecan Council, 3880 Hulen Street, Suite 650, Fort Worth, Texas 76107 or info@americanpecan.com.

AMERICAN PECAN COUNCIL

Statement of Net Position - Enterprise Fund

As of September 30, 2020

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 5,060,954
Accounts Receivable	1,136,617
Prepaid Expenses	55,516

Total Current Assets \$ 6,253,087

Noncurrent Assets:

Depreciable Capital Assets	\$ 40,920
Accumulated Depreciation	(18,161)

Total Noncurrent Assets \$ 22,759

Other Assets:

Security Deposit	\$ 5,875
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Total Other Assets \$ 5,875

TOTAL ASSETS \$ 6,281,721

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$ 1,145,619
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Total Current Liabilities \$ 1,145,619

Total Liabilities \$ 1,145,619

Net Position:

Net Investment in Capital Assets	\$ 22,759
Unrestricted	5,113,343

Total Net Position \$ 5,136,102

TOTAL LIABILITIES AND NET POSITION \$ 6,281,721

The accompanying notes are integral part of this statement.

AMERICAN PECAN COUNCIL

Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Fund

For the Year Ended September 30, 2020

Operating Revenues:

Assessment Income	\$ 7,936,582
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Total Operating Revenue	\$ 7,936,582
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Operating Expenses:

General Administrative:	
Staff and Administrative	\$ 813,446
Insurance	10,735
Compliance	225,138
Other General Administrative	220,625
Industry Relations:	
Industry Relations Activities	70,719
Industry Research	244,500
International Relations	636,794
Marketing	5,660,807
Grades and Standards	116,710
Research	40,000
	<hr/>
Total Operating Expenses	\$ 8,039,474
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Operating Loss (\$ 102,892)

Nonoperating Revenues (Expenses):

Interest Earned	\$ 43,818
Other Income	494
Loss on Disposition of Asset	(9,298)
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Total Nonoperating Revenues (Expenses)	\$ 35,014
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Change in Net Position (\$ 67,878)

Net Position, Beginning as Previously Stated \$ 5,234,607

Prior Period Adjustment (30,627)

Net Position, Beginning as Restated \$ 5,203,980

Net Position, Ending \$ 5,136,102

The accompanying notes are integral part of this statement.

AMERICAN PECAN COUNCIL

Statement of Cash Flows - Enterprise Fund

For the Year Ended September 30, 2020

Cash Flows From Operating Activities:

Cash Received from Assessments	\$ 7,195,648
Cash Paid for Salaries and Benefits	(813,446)
Cash Paid for Operating Expenses	(6,750,926)

Net Cash Used by Operating Activities (\$ 368,724)

Cash Flows From Capital and Related Financing Activities:

Aquisition of Capital Assets	(\$ 3,399)
Disposal of Property, Plant, and Equipment	(9,298)

Net Cash Used by Capital and Related Financing Activities (\$ 12,697)

Cash Flows From Investing Activities:

Interest From Interest Bearing Account	\$ 43,818
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Net Cash Provided by Investing Activities \$ 43,818

Net Decrease in Cash (\$ 337,603)

Cash, Beginning of Period 5,398,557

Cash, End of Period \$ 5,060,954

Reconciliation of Operating Loss to Net Cash

Used by Operating Activities:

Operating Loss (\$ 102,892)

Adjustments to Reconcile Operating Loss to

Net Cash Used by Operating Activities:

Depreciation Expense 10,291

Other Revenue 494

Changes in Assets and Liabilities:

Increase in Accounts Receivable (740,934)

Decrease in Prepaid Expenses 56,152

Increase in Security Deposit (3,475)

Increase in Accounts Payable 416,541

Decrease in Payroll Tax Payable (4,901)

Net Cash Used by Operating Activities (\$ 368,724)

The accompanying notes are an integral part of this statement.

AMERICAN PECAN COUNCIL

Notes to the Basic Financial Statements

For the Year Ended September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – American Pecan Council (the Council) is a federal marketing order created, organized, and exists under and pursuant to Title 7 Part 986 of the Code of Federal Regulations. The Council was established on December 19, 2016. Its purpose is to promote marketing, distribution, and consumption of pecans including product development, nutritional research, and container development. The marketing order authorizes data collection; research and promotion activities; and regulation of grade, size, quality, pack and containers for pecans. The Council is comprised of six sheller members, nine producer members representing three Councils, an accumulator member, and a public member. Each member will have one alternate. Initial members and alternates will be nominated to four-year terms. The Council assists the Secretary of Agriculture with the operations of the program: quality regulations, research and promotion, pack and container requirements, and data collection.

As of September 30, 2020, the Council's revenue was derived primarily from assessments submitted by pecan handlers. The assessment is based on the type of pecan and the number of pounds sold.

The Council is a single program government engaged in only business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The Council's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The activities of the Council are accounted for within a single proprietary fund type, specifically an enterprise fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting used by the Council is determined by its measurement focus. The transactions of the Council are accounted for on a flow of economic resources measurement focus and utilize the accrual method of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

The operating revenue in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Budgetary Data - The Council adopted its final budget on August 21, 2019 for the October 1, 2019 to September 30, 2020 fiscal year. The budget is adopted on the accrual basis of

AMERICAN PECAN COUNCIL

Notes to the Basic Financial Statements

For the Year Ended September 30, 2020

accounting and is adopted by the Council's Board of Directions for the purpose of management control.

Cash and Cash Equivalents - The Council considers cash and cash equivalents to include all monies in banks and all highly liquid debt instruments purchased with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Receivables and Payables - Accounts receivables are stated at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of September 30, 2020, no allowance for uncollectible receivables has been determined. With the support of the United States Department of Agriculture, the Council deems all receivables to be collectible.

The Council believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets - Capital assets are reported in the Enterprise Fund financial statements. Such assets are stated at cost if purchased or constructed. Assets acquired by gift or bequest are recorded at their acquisition value at the date of transfer. The Council's policy is to capitalize and depreciate all capital assets with an initial, individual cost of \$500 or more and an estimated life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The useful lives by type of asset are as follows:

Equipment	5 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years

NOTE 2: DEPOSITS

The Council maintains interest-bearing cash accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits as of September 30, 2020 were fully secured by FDIC and securities pledged in the name of the Council.

NOTE 3: NET POSITION

In the Statement of Net Position, equity is classified as Net Position and displayed in three components:

AMERICAN PECAN COUNCIL

Notes to the Basic Financial Statements

For the Year Ended September 30, 2020

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets. For the year ended September 30, 2020, the Council had no outstanding note balances.
- Restricted Net Position – consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – remaining net position that does not meet the definition of “Restricted” or “Net Investment in Capital Assets.”

NOTE 4: NET POSITION FLOW ASSUMPTION

Sometimes the government will fund expenses for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Council’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 5: CAPITAL ASSETS

Current year changes in capital assets are summarized below.

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 15,780	\$ 7,448	(\$ 6,595)	\$ 16,633
Furniture and Fixtures	23,472	4,250	(9,196)	18,526
Leasehold Improvements	8,037	-0-	(2,276)	5,761
Less: Accumulated Depreciation	(17,638)	(10,291)	9,768	(18,161)
Net Capital Assets	\$ 29,651	\$ 1,407	(\$ 8,299)	\$ 22,759

NOTE 6: RELATED PARTY TRANSACTIONS

The Council reimburses Council members and employees for travel expenses to and from Council meetings. The Council paid \$8,346 in travel reimbursements for Council meetings for year ended September 30, 2020.

NOTE 7: PRIOR PERIOD ADJUSTMENTS

The beginning net position of the Proprietary Fund has been restated to record prior year assessments received in the current fiscal year as well as amendments to prior year assessments. Prior period adjustments were also made to accounts payable to account for the correction to international relations expense and marketing expense recorded in the wrong year. A reconciliation of the prior period ending net position to the current year beginning net position is as follows.

AMERICAN PECAN COUNCIL

Notes to the Basic Financial Statements

For the Year Ended September 30, 2020

Beginning Net Position, as Previously Stated	\$ 5,234,607
Adjustment to Correct Accounts Receivable	67,859
Adjustment to Correct Accounts Payable	(98,486)
Beginning Net Position, as Restated	<u>\$ 5,203,980</u>

The above adjustment decreased the change in net position \$30,627 in the prior year and decreased the net position by \$98,486 in the current year.

NOTE 8: NEW PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Council's consideration of the impact of these pronouncements are described below:

Statement No. 87, Leases - GASB No. 87 was issued in June 2017, and will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2021. The Council has not yet determined the impact that implementation of GASB 87 will have on its net position.

GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period - GASB 89 was issued in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. At this time, the impact to the Council is unknown.

GASB Statement No. 90, Majority Interests (an amendment of GASB Statements 14 and 61) - GASB 90 was issued August 2018 and will be effective for periods beginning December 15, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain

AMERICAN PECAN COUNCIL

Notes to the Basic Financial Statements

For the Year Ended September 30, 2020

component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The Council has not yet determined the impact that implementation of GASB 90 will have on its net position.

GASB Statement No. 91, Conduit Debt Obligations – GASB 91 was issued May 2019 and will be effective for periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Council has not yet determined the impact that implementation of GASB 91 will have on its net position.

NOTE 9: SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2020, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is August 10, 2021, the date on which the financial statements were available to be issued.

AMERICAN PECAN COUNCIL

Budgetary Comparison Schedule - Enterprise Fund

For the Year Ended September 30, 2020

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Operating Revenue:				
2017 Assessment Income	\$ -0-	\$ -0-	\$ 14,553	\$ 14,553
2018 Assessment Income	-0-	-0-	10,448	10,448
2019-2020 Improved	7,025,256	7,025,256	6,298,527	(726,729)
2019-2020 Native/Seedling	867,828	867,828	1,252,729	384,901
2019-2020 Substandard	371,916	371,916	360,325	(11,591)
Total Operating Revenue	\$ 8,265,000	\$ 8,265,000	\$ 7,936,582	(\$ 328,418)
Operating Expenses:				
General Administration:				
Staff and Administration:				
Salaries	\$ 789,200	\$ 789,200	\$ 670,060	\$ 119,140
Benefits	85,000	85,000	94,260	(9,260)
Taxes	75,000	75,000	44,080	30,920
Contract Labor	-0-	-0-	5,046	(5,046)
Total Staff and Administration	\$ 949,200	\$ 949,200	\$ 813,446	\$ 135,754
Insurance:				
Travel	\$ 2,500	\$ 2,500	\$ -0-	\$ 2,500
General	7,000	7,000	5,614	1,386
D&O/Members	12,000	12,000	5,121	6,879
Fidelity	4,000	4,000	-0-	4,000
Total Insurance	\$ 25,500	\$ 25,500	\$ 10,735	\$ 14,765
Compliance:				
Attorney/Crisis Management	\$ 25,000	\$ 25,000	\$ -0-	\$ 25,000
Audit Financial	20,000	20,000	19,000	1,000
Compliance Travel	45,000	45,000	-0-	45,000
Sheller/Handler Audits	250,000	250,000	203,024	46,976
Printing/Forms/Postage	6,000	6,000	3,114	2,886
Total Compliance	\$ 346,000	\$ 346,000	\$ 225,138	\$ 120,862
Accounting/Financials	\$ 78,000	\$ 78,000	\$ 75,611	\$ 2,389
Telephone/Mobile/Internet	10,000	10,000	14,681	(4,681)
Travel Office	40,000	40,000	10,691	29,309
Travel Committee	150,000	150,000	9,773	140,227
Supplies	10,000	10,000	2,598	7,402
Maintenance/Buildout	15,000	15,000	397	14,603
Printing	15,000	15,000	28,475	(13,475)
IT/Furniture/Software	30,000	30,000	11,475	18,525
Subscriptions	20,000	20,000	14,837	5,163
Depreciation	-0-	-0-	10,291	(10,291)
Miscellaneous	5,000	5,000	922	4,078
Rent	40,000	40,000	40,874	(874)
Total General Administration	\$ 1,733,700	\$ 1,733,700	\$ 1,269,944	\$ 463,756

See Independent Auditors' Report.

AMERICAN PECAN COUNCIL

Budgetary Comparison Schedule - Enterprise Fund

For the Year Ended September 30, 2020

	Budget		Actual	Favorable (Unfavorable)
	Original	Amended		
Contingency Fund	\$ 71,300	\$ 71,300	\$ -0-	\$ 71,300
Industry Relations:				
Compliance:				
Compliance Materials	\$ 5,000	\$ 5,000	\$ -0-	\$ 5,000
Workshops	5,000	5,000	-0-	5,000
Total Compliance	\$ 10,000	\$ 10,000	\$ -0-	\$ 10,000
Industry Relations Activities:				
Annual Reports	\$ 8,000	\$ 8,000	\$ -0-	\$ 8,000
Communication Materials	72,000	72,000	25,318	46,682
Travel	50,000	50,000	21,770	28,230
WS-Field Events	400,000	400,000	-0-	400,000
Association Sponsorship	70,000	70,000	13,631	56,369
Handler Portal Maintenance	10,000	10,000	-0-	10,000
Meltwater	6,500	6,500	10,000	(3,500)
Total Industry Relations Activities	\$ 616,500	\$ 616,500	\$ 70,719	\$ 545,781
Industry Research:				
Land IQ	\$ 152,500	\$ 152,500	\$ 30,500	\$ 122,000
NASS:				
Current Year	109,000	109,000	109,000	-0-
Prior Year Carry-Over	150,000	150,000	105,000	45,000
Total Industry Research	\$ 411,500	\$ 411,500	\$ 244,500	\$ 167,000
Total Industry Relations	\$ 1,038,000	\$ 1,038,000	\$ 315,219	\$ 722,781
International Relations:				
Unified Export Strategy/Emerging Market Proposal	\$ 95,000	\$ 95,000	\$ 47,500	\$ 47,500
USPGC-China, Korea, Southeast Asia Marketing	165,000	165,000	165,000	-0-
International Nut Congress-Nut Health Research	100,000	100,000	100,001	(1)
Travel	40,000	40,000	24,293	15,707
Marketing Access Program (MAP)	632,812	632,812	300,000	332,812
Total International Relations	\$ 1,032,812	\$ 1,032,812	\$ 636,794	\$ 396,018
Marketing:				
Weber Shandwick	\$ 2,800,000	\$ 2,800,000	\$ 3,314,082	(\$ 514,082)
APC Events:				
PMA	-0-	-0-	40	(40)
Aspire IQ	280,000	280,000	72,859	207,141
iHeart Media/Digital Magnet:				
Current Year	1,300,000	1,300,000	1,300,000	-0-
Prior Year Carry-Over	400,000	400,000	400,000	-0-
Learfield IMG:				
Prior Year Carry-Over	100,000	100,000	100,000	-0-
Eat Well Global	230,000	230,000	226,500	3,500
NPSA Chef's Summit	160,000	160,000	54,833	105,167
Health Research	150,000	150,000	191,125	(41,125)
Miscellaneous	-0-	-0-	1,368	(1,368)
Total Marketing	\$ 5,420,000	\$ 5,420,000	\$ 5,660,807	(\$ 240,807)

See Independent Auditors' Report.

AMERICAN PECAN COUNCIL

Budgetary Comparison Schedule - Enterprise Fund

For the Year Ended September 30, 2020

	Budget		Actual	Favorable (Unfavorable)
	Original	Amended		
Grades and Standards:				
Research Contingency	\$ 100,000	\$ 100,000	\$ -0-	\$ 100,000
Travel	20,000	20,000	149	19,851
Electronic Reporting Forms	-0-	-0-	8,400	(8,400)
Quality Assurance Program	82,000	82,000	108,161	(26,161)
Total Grades and Standards	\$ 202,000	\$ 202,000	\$ 116,710	\$ 85,290
Research:				
Contingency Fund - Current Year	\$ 50,000	\$ 50,000	\$ 30,000	\$ 20,000
Contingency Fund - Prior Year Carry-over	10,000	10,000	10,000	-0-
Total Research	\$ 60,000	\$ 60,000	\$ 40,000	\$ 20,000
Total Operating Expenses	\$ 9,557,812	\$ 9,557,812	\$ 8,039,474	\$ 1,518,338
Nonoperating Revenues and Expenses:				
Interest Earned	\$ -0-	\$ -0-	\$ 43,818	(\$ 43,818)
Prior Year Carry-over - 2019 Expense Offset	660,000	660,000	-0-	660,000
Other Income	-0-	-0-	494	(494)
Marketing Access Program (MAP)	632,812	632,812	-0-	632,812
Loss on Disposition of Asset	-0-	-0-	(9,298)	9,298
Total Nonoperating Revenue	\$ 1,292,812	\$ 1,292,812	\$ 35,014	\$ 1,257,798
Change in Net Position	\$ -0-	\$ -0-	(\$ 67,878)	(\$ 67,878)

See Independent Auditors' Report.



Independent Auditor's 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*

To the Members of
American Pecan Council
Fort Worth, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the American Pecan Council (the Council), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated August 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Abilene, Texas
August 10, 2021

AMERICAN PECAN COUNCIL

Schedule of Findings and Responses

For the Year Ended September 30, 2020

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Finding 2020-001 Material Audit Adjustments

Type of Finding: Material Weakness

Criteria:

Management of the Council is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition:

We proposed several audit adjustments to the Council’s recorded account balances, which if not detected by our auditing procedures, could have resulted in a material misstatement of the Council’s financial statements.

Cause:

The Council does not prepare, and has not developed internal controls over financial reporting to provide for the preparation of, the financial statements and related disclosures in accordance with generally accepted accounting principles.

Effect:

The preparation of adjusting journal entries as a part of the audit engagement indicates that the Council’s interim financial information may not be materially correct, which may affect management decisions made during the course of the year.

Recommendation:

The Council should develop internal controls over financial reporting to prevent material misstatements in its financial statements.

View of Responsible Officials:

Management agrees with the finding.