

AMERICAN PECAN COUNCIL

Financial Statements

For the Year Ended September 30, 2019

AMERICAN PECAN COUNCIL

Financial Statements

For the Year Ended September 30, 2019

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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, 2019 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, 2019, 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 April 16, 2020 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
April 16, 2020

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, 2019. 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 Fund Net Position – Enterprise Fund, 3) Statement of Cash Flows – Enterprise Fund, and 4) Notes to the Basic Financial Statements. Also included is the required supplementary information.

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.

Proprietary Fund

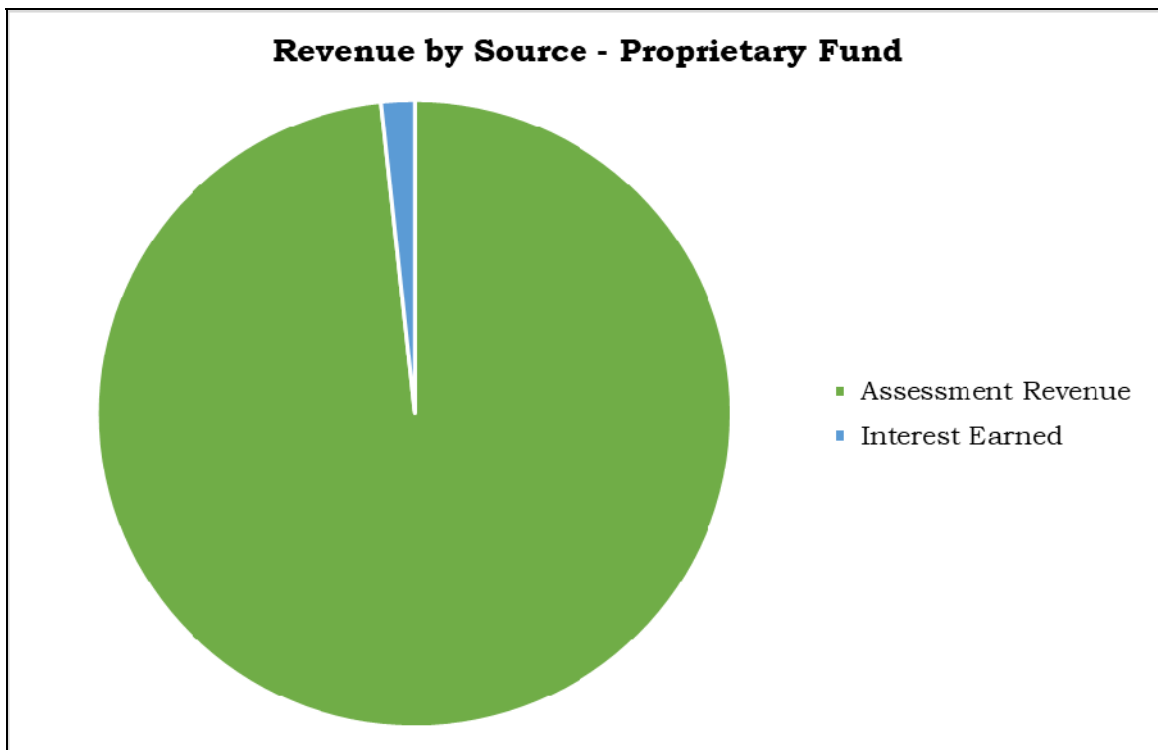
The Council’s proprietary fund, specifically an enterprise fund, reported unrestricted net position of \$5,204,956, a decrease of \$113,759 or 2.19% in comparison with the prior year. The net decrease is due to the Council’s decrease in net position including a decrease in current and other assets resulting from a decrease in assessment income and increase in expenses.

	2019	2018
ASSETS:		
Current and Other Assets	\$ 5,938,936	\$ 7,677,688
Non-Current Assets	29,651	39,109
Total Assets	<u>\$ 5,968,587</u>	<u>\$ 7,716,797</u>
LIABILITIES:		
Current Liabilities	\$ 733,980	\$ 2,358,972
Total Liabilities	<u>\$ 733,980</u>	<u>\$ 2,358,972</u>
NET POSITION:		
Net Investment in Capital Assets	\$ 29,651	\$ 39,109
Unrestricted	5,204,956	5,318,715
Total Net Position	<u>\$ 5,234,607</u>	<u>\$ 5,357,824</u>
 Total Liabilities and Net Position	 <u>\$ 5,968,587</u>	 <u>\$ 7,716,796</u>

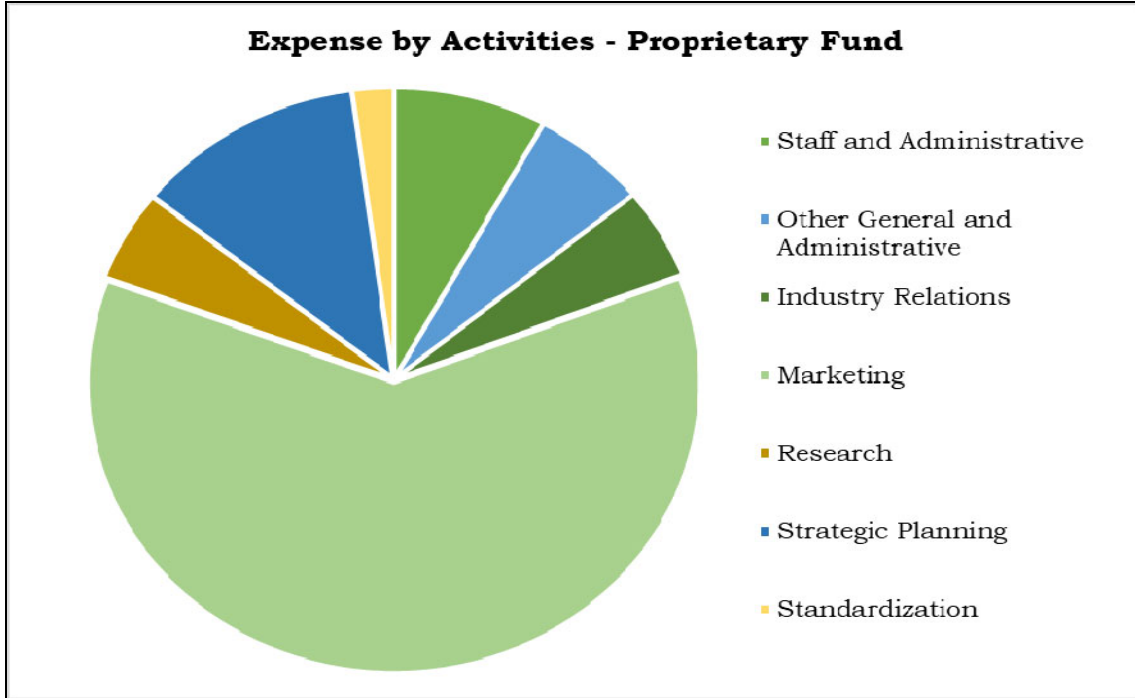
The Council's total net position decreased by \$123,217 for the fiscal year ended in September 30, 2019. The current year in net position is due to a decrease in assessment income and an increase in operating expenses.

	2019	2018
REVENUE:		
Operating Revenue	\$ 8,436,288	\$ 10,873,669
Nonoperating Revenue	145,595	98,495
Total Revenue	<u>\$ 8,581,883</u>	<u>\$ 10,972,164</u>
EXPENSES:		
Operating Expenses	\$ 8,705,100	\$ 8,953,281
Total Expenses	<u>\$ 8,705,100</u>	<u>\$ 8,953,281</u>
Change in Net Position	(\$ 123,217)	\$ 2,018,883
Net Position, Beginning	\$ 5,357,824	3,338,941
Net Position, Ending	<u>\$ 5,234,607</u>	<u>\$ 5,357,824</u>

Revenues for the Council are categorized in the chart below. Of the Council's \$8,581,883 total revenue, \$8,436,288 or 98.30% represents assessment revenue and \$145,595 or 1.70% represents interest revenue.



Expenses for the Council are categorized in the following chart. Of the Council's \$8,705,100 total operating expenses, \$732,322 or 8.41% relates to staff and administrative expenses, \$550,028 or 6.32% relates to other general and administrative expenses, \$459,127 or 5.27% relates to industry relations, \$5,208,173 or 59.83% relates to marketing, \$458,745 or 5.27% relates to research, \$1,100,000 or 12.64% relates to strategic planning, and \$196,705 or 2.26% relates to standardization.



The Council has total assets of \$5,968,587, which includes net capital assets of \$29,651. This is a decrease in total assets of \$1,748,209. The total change is the net effect of a \$2,173,472 decrease in cash, \$426,311 increase in accounts receivable, \$8,410 increase in prepaid expense, and \$9,458 decrease in capital assets.

Capital Assets

At the year ended September 30, 2019, the Council had \$29,651 (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 \$9,458.

	Enterprise Activities	
	2019	2018
Equipment	\$ 15,780	\$ 15,780
Furniture and Fixtures	23,472	23,472
Leasehold Improvements	8,037	8,037
Less: Accumulated Depreciation	(17,638)	(8,181)
Net Capital Assets	<u>\$ 29,651</u>	<u>\$ 39,109</u>

Notes to the Financial Statements

The notes 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, this report also presents certain required supplementary information concerning the original and amended budgetary schedules.

Budget

The Council's board of directors approved the 2020 budget on August 21, 2019. Operating revenues were less than budgeted by \$1,264,712. Additionally, the Council's operating expenses were less than budgeted by \$995,900.

Future Economic Factors and Next Year's Budget

The Council has approved a budget of expenses for the Enterprise Fund in the amount of \$8,265,000, which is a decrease of \$1,436,000 from the fiscal year 2019.

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 105, Fort Worth, Texas 76107 or info@americanpecan.com.

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Statement of Net Position - Enterprise Fund

As of September 30, 2019

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	5,398,557
Accounts Receivable		426,311
Prepaid Expenses		111,668

Total Current Assets \$ 5,936,536

Noncurrent Assets:

Depreciable Capital Assets	\$	47,289
Accumulated Depreciation	(17,638)

Total Noncurrent Assets \$ 29,651

Other Assets:

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

TOTAL ASSETS

\$ 5,968,587

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$	729,079
Payroll Liability		4,901

Total Current Liabilities \$ 733,980

Total Liabilities \$ 733,980

Net Position:

Net Investment in Capital Assets	\$	29,651
Unrestricted		5,204,956

Total Net Position \$ 5,234,607

TOTAL LIABILITIES AND NET POSITION

\$ 5,968,587

See Independent Auditors' Report

AMERICAN PECAN COUNCIL

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

For the Year Ended September 30, 2019

Operating Revenues:

Assessment Income	\$ 8,436,288
Total Operating Revenue	<u>\$ 8,436,288</u>

Operating Expenses:

General and Administrative:	
Staff and Administrative	\$ 732,322
Insurance	12,348
Compliance	145,788
Other General and Administrative	391,892
Industry Relations	459,127
Marketing	5,208,173
Research	458,745
Strategic Planning	1,100,000
Standardization	196,705
Total Operating Expenses	<u>\$ 8,705,100</u>

Operating Loss (\$ 268,812)

Nonoperating Revenues:

Interest Earned	\$ 145,595
Total Nonoperating Revenues	<u>\$ 145,595</u>

Change in Net Position (\$ 123,217)

Net Position, Beginning as Previously Stated \$ 5,359,651

Prior Period Adjustment (1,827)

Net Position, Beginning as Restated \$ 5,357,824

Net Position, Ending \$ 5,234,607

See Independent Auditors' Report

AMERICAN PECAN COUNCIL

Statement of Cash Flows - Enterprise Fund

For the Year Ended September 30, 2019

Cash Flows From Operating Activities:

Cash Received from Assessments	\$ 8,009,977
Cash Paid for Salary and Benefits	(732,322)
Cash Paid for Operating Expenses	(9,596,723)

Net Cash Used by Operating Activities (\$ 2,319,068)

Cash Flows From Investing Activities:

Interest Received on Checking Account Balance	<u>\$ 145,595</u>
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Net Cash Provided by Investing Activities \$ 145,595

Net Decrease in Cash (\$ 2,173,473)

Cash, Beginning of Period 7,572,030

Cash, End of Period \$ 5,398,557

**Reconciliation of Operating Loss to Net Cash
Used by Operating Activities:**

Operating Loss (\$ 268,812)

Adjustments to Reconcile Operating Loss to
Net Cash Used by Operating Activities:

Depreciation Expense 9,458

Changes in Assets and Liabilities:

Increase in Prepaid Expenses (8,409)

Increase in Accounts Receivable (426,313)

Decrease in Accounts Payable (1,629,893)

Increase in Payroll Tax Payable 4,901

Net Cash Used by Operating Activities (\$ 2,319,068)

See Independent Auditors' Report

AMERICAN PECAN COUNCIL

Notes to the Financial Statements

For the Year Ended September 30, 2019

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, 2019, 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 30, 2018 for the October 1, 2018 to September 30, 2019 fiscal year. The budget is adopted on the accrual basis of

AMERICAN PECAN COUNCIL

Notes to the Financial Statements

For the Year Ended September 30, 2019

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, 2019, 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, 2019 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 Financial Statements

For the Year Ended September 30, 2019

- 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, 2019, 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	\$ -0-	\$ -0-	\$ 15,780
Furniture and Fixtures	23,472	-0-	-0-	23,472
Leasehold Improvements	8,037	-0-	-0-	8,037
Less: Accumulated Depreciation	(8,180)	(9,458)	-0-	(17,638)
Net Capital Assets	<u>\$ 30,109</u>	<u>(\$ 9,458)</u>	<u>\$ -0-</u>	<u>\$ 29,651</u>

NOTE 6: RELATED PARTY

The Council reimburses Council members and employees for travel expenses to and from Council meetings. The Council paid \$71,124 in travel reimbursements for Council meetings for year ended September 30, 2019.

NOTE 7: 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

AMERICAN PECAN COUNCIL

Notes to the Financial Statements

For the Year Ended September 30, 2019

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 December 15, 2019. 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, 2019. 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, 2018. 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 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, 2020. 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.

AMERICAN PECAN COUNCIL

Notes to the Financial Statements

For the Year Ended September 30, 2019

NOTE 7: SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2019, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is April 16, 2020, 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, 2019

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Operating Revenue:				
2016 Assessment Income - Carry Over	\$ -0-	\$ -0-	\$ 366	\$ 366
2017 Assessment Income	-	-	333,042	333,042
2017 - 2018 Remaining	1,100,000	1,100,000	378,974	(721,026)
2018 - 2019 Improved	7,503,000	7,503,000	6,760,644	(742,356)
2018 - 2019 Native/Seedlings	732,000	732,000	324,057	(407,943)
2018 - 2019 Substandard	366,000	366,000	418,023	52,023
2019 - 2020 Improved	-0-	-0-	206,378	206,378
2019 - 2020 Native/Seedlings	-0-	-0-	13	13
2019 - 2020 Substandard	-0-	-0-	14,791	14,791
Total Operating Revenue	\$ 9,701,000	\$ 9,701,000	\$ 8,436,288	(\$ 1,264,712)
Operating Expenses:				
General Administrative:				
Staff and Administrative:				
Salaries	\$ 780,000	\$ 780,000	\$ 618,558	\$ 161,442
Benefits	80,000	80,000	63,239	16,761
Taxes	85,800	85,800	42,916	42,884
Contract Labor	-0-	-0-	7,609	(7,609)
Total Staff and Administrative	\$ 945,800	\$ 945,800	\$ 732,322	\$ 213,478
Insurance:				
Travel	\$ 2,500	\$ 2,500	\$ -0-	\$ 2,500
General	8,000	8,000	4,874	3,126
D&O/Members	15,000	15,000	7,474	7,526
Fidelity	4,002	4,002	-0-	4,002
Total Insurance	\$ 29,502	\$ 29,502	\$ 12,348	\$ 17,154
Compliance:				
Attorney/Crisis Management	\$ 25,000	\$ 25,000	\$ 7,130	\$ 17,870
Audit Financial	30,000	30,000	10,500	19,500
Compliance Travel	55,000	55,000	1,236	53,764
Sheller/Handler Audits	110,000	110,000	119,207	(9,207)
Printing/Forms/Postage	5,000	5,000	7,715	(2,715)
Total Compliance	\$ 225,000	\$ 225,000	\$ 145,788	\$ 79,212
Accounting/Financials	\$ 45,000	\$ 45,000	\$ 82,200	(\$ 37,200)
Telephone/Mobile/Internet	10,000	10,000	22,192	(12,192)
Travel Office	45,000	45,000	35,420	9,580
Travel Committee	160,000	160,000	159,611	389
Supplies	10,000	10,000	9,087	913
Maintenance/Buildout	20,000	20,000	7,850	12,150
Printing	15,000	15,000	14,829	171
IT/Furniture/Software	40,001	40,001	15,480	24,521
Subscriptions	5,000	5,000	2,698	2,302
Depreciation	-0-	-0-	9,458	(9,458)
Miscellaneous	3,994	3,994	64	3,930
Rent & Utilities	45,000	45,000	33,003	11,997
Total General Administrative	\$ 1,599,298	\$ 1,599,298	\$ 1,282,350	\$ 316,948

See Independent Auditors' Report.

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Budgetary Comparison Schedule - Enterprise Fund

For the Year Ended September 30, 2019

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Contingency Fund:				
Contingency Fund	\$ 2,403,700	\$ 32,125	\$ -0-	\$ 32,125
Total Contingency Fund	\$ 2,403,700	\$ 32,125	\$ -0-	\$ 32,125
Industry Relations:				
Annual Reports	\$ 15,000	\$ 15,000	\$ 1,322	\$ 13,678
Informational Materials	35,000	35,000	31,705	3,295
Travel/Handler Visits Workshop Materials	50,000	50,000	49,166	834
WS - Field Events	780,000	780,000	376,934	403,066
Total Industry Relations	\$ 879,999	\$ 879,999	\$ 459,127	\$ 420,872
International Relations:				
EMP India	\$ -0-	\$ 10,000	\$ -0-	\$ 10,000
UES 2020	-0-	85,000	-0-	85,000
Total International Relations	\$ -0-	\$ 95,001	\$ -0-	\$ 95,001
Marketing:				
APC Events:				
Fruit Logistical	\$ 15,000	\$ 15,000	\$ 11,583	\$ 3,417
Asia Logistical	15,000	15,000	9,556	5,444
PMA	10,000	10,000	7,125	2,875
Total APC Events	\$ 40,000	\$ 40,000	\$ 28,264	\$ 11,736
Weber Shandwick	\$ 3,000,000	\$ 4,300,000	\$ 4,523,988	(\$ 223,988)
Market Access Program Assistance	250,003	591,575	591,575	-0-
Branded Materials/Give Away	75,000	75,000	11,028	63,972
APC Travel for Events	25,000	25,000	23,178	1,822
USDA Marketing Events	10,000	10,000	2,251	7,749
Aspire IQ	-0-	135,000	18,249	116,751
Digital Magnet	-0-	400,000	-0-	400,000
Learfield IMG	-0-	100,000	-0-	100,000
Miscellaneous	5,000	5,000	9,640	(4,640)
Total Marketing	\$ 3,405,002	\$ 5,681,576	\$ 5,208,173	\$ 473,403
Research:				
Health Benefit Baseline Study	\$ 265,000	\$ 265,000	\$ -0-	\$ 265,000
Nut Health	100,000	100,000	100,000	-0-
Land IQ	-0-	-0-	192,000	(192,000)
Contingency Fund	400,000	400,000	166,745	233,255
Total Research	\$ 765,001	\$ 765,001	\$ 458,745	\$ 306,256
Strategic Planning:				
Strategic Planning	\$ -0-	\$ -0-	\$ 1,100,000	(\$ 1,100,000)
Total Strategic Planning	\$ -0-	\$ -0-	\$ 1,100,000	(\$ 1,100,000)

See Independent Auditors' Report.

AMERICAN PECAN COUNCIL

Budgetary Comparison Schedule - Enterprise Fund

For the Year Ended September 30, 2019

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Standardization:				
NASS Survey:				
January Prelim Report	\$ 158,000	\$ 158,000	\$ 98,182	\$ 59,818
December Crop Estimate	150,000	150,000	-0-	150,000
Total NASS Survey	<u>\$ 308,000</u>	<u>\$ 308,000</u>	<u>\$ 98,182</u>	<u>\$ 209,818</u>
Contingency Fund	\$ 235,000	\$ 235,000	\$ 41,590	\$ 193,410
Previous Adopted Research	-0-	-0-	50,517	(50,517)
Travel	15,000	15,000	2,216	12,784
Electronic Reporting Forms	90,000	90,000	4,200	85,800
Total Standardization	<u>\$ 648,000</u>	<u>\$ 648,000</u>	<u>\$ 196,705</u>	<u>\$ 451,295</u>
Total Operating Expenses	<u>\$ 9,701,000</u>	<u>\$ 9,701,000</u>	<u>\$ 8,705,100</u>	<u>\$ 995,900</u>
Nonoperating Revenue:				
Interest Earned	\$ -0-	\$ -0-	\$ 145,595	\$ 145,595
Total Nonoperating Revenue	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 145,595</u>	<u>\$ 145,595</u>
Change in Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(\$ 123,217)</u>	<u>(\$ 123,217)</u>

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, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated April 16, 2020.

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) 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 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 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 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 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 or other matters 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 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
April 16, 2020