

U.S. Highbush Blueberry Council

**FINANCIAL STATEMENTS
December 31, 2019 and 2018**

U.S. Highbush Blueberry Council

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U.S. Highbush Blueberry Council

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13
SUPPLEMENTARY INFORMATION	
Schedules of Revenue and Expenditures - Actual Compared to Budget	14 - 15
Schedules of Program Expenditures - Actual Compared to Budget	16 - 19
Schedules of General and Administrative Expenditures - Actual Compared to Budget	20 - 21
Schedules of Cash Receipts and Disbursements	22
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
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 <i>GOVERNMENT AUDITING STANDARDS</i>	25 - 26
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	27 - 28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	29

INDEPENDENT AUDITOR'S REPORT

To the U.S. Highbush Blueberry Council
Folsom, California

Report on the Financial Statements

We have audited the accompanying financial statements of U.S. Highbush Blueberry Council (the "Council") which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 U.S. Highbush Blueberry Council as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 – 24, which includes the accompanying schedule of expenditures of federal awards and related notes, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information, except for the budget information marked "unaudited," has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020, on our consideration of U.S. Highbush Blueberry 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 U.S. Highbush Blueberry 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 U.S. Highbush Blueberry Council's internal control over financial reporting and compliance.

Other Reporting Required by the United States Department of Agriculture

In connection with our audits of the years ended December 31, 2019 and 2018, nothing came to our attention, insofar as it relates to financial and accounting matters, that causes us to believe that the U.S. Highbush Blueberry Council:

- Failed to comply with laws and regulations and U.S. Department of Agriculture Agricultural Marketing Service ("USDA AMS") Guidelines for AMS Oversight of Commodity Research and Promotion Programs applicable to the Association;
- Failed to comply with Section 1218.48 of the Blueberry Promotion, Research and Information Order, relating to the use of assessment funds for the purpose of influencing legislation or governmental action or policy;
- Expended assessment funds for purposes other than those authorized by the Commodity Promotion, Research and Information Act of 1996 and the Blueberry Promotion, Research and Information Order;
- Expended or obligated assessment funds on any projects prior to the fiscal year in which those funds were authorized to be expended by the U.S. Highbush Blueberry Council's approved Budget and Marketing Plan;
- Did not adhere to the original or amended Budget and Marketing Plan for the years ended December 31, 2019 and 2018;

- Did not obtain a written contract or agreement with any person or entity providing goods or services to the U.S. Highbush Blueberry Council;
- Failed to comply with USDA AMS Directive 2210.2, relating to the limitations on the types of investments which may be purchased by the U.S. Highbush Blueberry Council and the insurance or collateral that must be obtained for all U.S. Highbush Blueberry Council deposits and investments;
- Failed to comply with disclosure requirements for lease commitments;
- Failed to comply with standards established relating to contracts and USDA approval letters (if necessary); or
- Failed to comply with the by-laws of the U.S. Highbush Blueberry Council or any other policy of the U.S. Highbush Blueberry Council, specifically as they relate to all financial matters, including time and attendance, and travel.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Propp Christensen Caniglia LLP

February 28, 2020
Roseville, California

U.S. Highbush Blueberry Council

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	ASSETS	
	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 8,868,030	\$ 7,436,995
Accounts receivable	2,047,457	1,136,511
Promotional materials	-	45,430
Prepaid expenses	<u>10,815</u>	<u>115,025</u>
Total current assets	10,926,302	8,733,961
Equipment, net	<u>-</u>	<u>-</u>
Total assets	<u>\$ 10,926,302</u>	<u>\$ 8,733,961</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 1,952,624	\$ 974,206
Health research contract obligations	1,669,146	1,427,194
Deferred crop assessments	<u>4,852,692</u>	<u>3,930,971</u>
Total liabilities	8,474,462	6,332,371
Net assets:		
Without donor restrictions	<u>2,451,840</u>	<u>2,401,590</u>
Total liabilities and net assets	<u>\$ 10,926,302</u>	<u>\$ 8,733,961</u>

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

U.S. Highbush Blueberry Council

STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue:		
Domestic crop assessments	\$ 4,263,177	\$ 3,968,438
Foreign crop assessments	5,040,722	4,229,333
Grant revenue	1,295,533	911,805
Gains from contract expirations	8,419	156,628
Other revenue	<u>109,734</u>	<u>34,102</u>
Total revenue	<u>10,717,585</u>	<u>9,300,306</u>
Expenses:		
Market promotion and publicity	7,089,981	6,282,294
Research	1,553,738	1,169,639
Industry relations	181,469	153,213
Food safety	79,228	69,445
USHBC program fees	235,275	208,082
General and administrative	<u>1,527,644</u>	<u>1,159,316</u>
Total expenses	<u>10,667,335</u>	<u>9,041,989</u>
Change in net assets without donor restrictions	50,250	258,317
Net assets without donor restrictions, beginning of year	<u>2,401,590</u>	<u>2,143,273</u>
Net assets without donor restrictions, end of year	<u>\$ 2,451,840</u>	<u>\$ 2,401,590</u>

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

U.S. Highbush Blueberry Council

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	2019			
	Program Services	Management and General	Fundraising	Total
Market promotion and publicity	\$ 7,033,510	\$ 39,530	\$ 16,941	\$ 7,089,981
Research	1,523,738	30,000	-	1,553,738
Industry relations	181,469	-	-	181,469
Food safety	79,228	-	-	79,228
USHBC program fees	-	235,275	-	235,275
Salaries and wages	458,594	200,129	-	658,723
Employee benefits	60,905	30,471	-	91,376
Travel and meetings	203,937	176,563	-	380,500
Postage/shipment	5,042	1,681	-	6,723
Office rent	-	52,926	-	52,926
Printing	8,551	8,551	-	17,102
Office supplies	14,256	14,255	-	28,511
Computer IT service	19,976	6,659	-	26,635
Payroll taxes	33,003	11,001	-	44,004
Bookkeeping service	-	28,080	-	28,080
Legal/audit fees	-	23,300	-	23,300
Legal counsel	-	14,861	-	14,861
Trade monitoring	16,900	-	-	16,900
Executive director search	-	51,772	-	51,772
Other expenses	40,286	45,945	-	86,231
	<u>\$ 9,679,395</u>	<u>\$ 970,999</u>	<u>\$ 16,941</u>	<u>\$ 10,667,335</u>

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

U.S. Highbush Blueberry Council

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
 For the Years Ended December 31, 2019 and 2018

	2018			
	Program Services	Management and General	Fundraising	Total
Market promotion and publicity	\$ 6,257,094	\$ 12,600	\$ 12,600	\$ 6,282,294
Research	1,149,639	20,000	-	1,169,639
Industry relations	153,213	-	-	153,213
Food safety	69,445	-	-	69,445
USHBC program fees	-	208,082	-	208,082
Salaries and wages	340,575	164,565	-	505,140
Employee benefits	53,920	30,121	-	84,041
Travel and meetings	172,922	132,227	-	305,149
Postage/shipment	9,173	3,057	-	12,230
Office rent	-	49,559	-	49,559
Printing	9,022	9,022	-	18,044
Office supplies	5,377	5,377	-	10,754
Computer IT service	13,232	3,308	-	16,540
Payroll taxes	24,445	8,148	-	32,593
Bookkeeping service	-	27,540	-	27,540
Legal/audit fees	-	18,954	-	18,954
Trade monitoring	10,000	-	-	10,000
Executive director search	-	21,600	-	21,600
Other expenses	27,367	19,805	-	47,172
	<u>\$ 8,295,424</u>	<u>\$ 733,965</u>	<u>\$ 12,600</u>	<u>\$ 9,041,989</u>

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

U.S. Highbush Blueberry Council

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from growers and governmental agencies	\$ 10,620,923	\$ 8,934,162
Cash paid to vendors and employees	(9,288,906)	(8,909,740)
Interest received	99,018	30,587
	<u>1,431,035</u>	<u>55,009</u>
Net cash provided by operating activities		
Net increase in cash	1,431,035	55,009
Cash, beginning of year	<u>7,436,995</u>	<u>7,381,986</u>
Cash, end of year	<u>\$ 8,868,030</u>	<u>\$ 7,436,995</u>
Reconciliation of change in net assets without donor restrictions <u>net cash provided by operating activities:</u>		
Change in net assets without donor restrictions	\$ 50,250	\$ 258,317
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Gain on contract expiration	(8,419)	(156,628)
Change in operating assets and liabilities:		
Accounts receivable	(910,946)	(366,351)
Promotional materials	45,430	(4,868)
Prepaid expenses	104,210	14,720
Accounts payable	986,837	(22,969)
Health research contract obligations	241,952	301,994
Deferred crop assessments	921,721	30,794
	<u>1,431,035</u>	<u>55,009</u>
Net cash provided by operating activities		

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

U.S. Highbush Blueberry Council

Notes to Financial Statements
December 31, 2019 and 2018

NOTE 1: NATURE OF ORGANIZATION

The North American Blueberry Council (the "NABC") submitted a proposal to the Agricultural Marketing Service Division (the "AMS") of the U.S. Department of Agriculture (the "USDA") for a national research and promotion program covering domestic and imported cultivated blueberries in December 1998. The program is authorized by the Commodity Promotion, Research and Information Act of 1996 (the "Act"). In March 2000, AMS held a referendum in which producers and importers of cultivated blueberries approved the Blueberry Promotion, Research and Information Order (the "Order"), thereby establishing the U.S. Highbush Blueberry Council (the "Council"). The Council is considered an instrumentality of the USDA which conducts administrative oversight of the Council's activities.

The purpose of the Council is to conduct promotion and research, and to provide consumer and industry information to maintain and increase the global awareness of highbush blueberries. As required by the Act, the Council must conduct an independent evaluation every five years to determine if the blueberry producers favor the termination or suspension of the Order.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Council has adopted the provision as of December 31, 2018.

The Council presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Council is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations;

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

Revenues and gains and losses from operations are reported as changes in net assets without donor restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. However, donor-restricted contributions whose restrictions are met in the same reporting period have been reported as net assets without donor restrictions. As of December 31, 2019 and 2018, U.S. Highbush Blueberry Council had no net assets with donor restrictions.

U.S. Highbush Blueberry Council

Notes to Financial Statements
December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Council maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Deposits that exceed the federally insured limit are collateralized by the financial institution with Freddie Mac mortgage backed securities. In order to comply with the Agricultural Marketing Service's investment policy, the Council is responsible for investing its funds only in interest-bearing accounts that are risk-free and short-term. At December 31, 2019 and 2018, all deposits were fully collateralized.

Investments

The Council is required to follow the AMS investment policy. Accordingly, the Council is authorized to invest in securities consisting of obligations issued or fully insured or guaranteed by the U.S. or any U.S. government agency, including obligations of government-sponsored corporations, which must mature within one year or less from the date of purchase.

Accounts Receivable

Accounts receivable consist primarily of foreign and domestic crop assessments. Management considers accounts receivable as of December 31, 2019 and 2018 to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

Promotional Materials

Supplies of promotional and educational materials are stated at cost and recorded as expenses in the period that they are distributed.

Equipment

Equipment is stated at cost or, if donated, at fair market value at date of receipt. The Council provides for depreciation over the estimated useful lives of equipment using the straight-line method. Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

Crop Assessments

Growers are assessed based upon pounds of blueberries produced in the previous crop year. Assessments received for the current crop year are deferred and reported as revenue in the Council's following financial reporting year.

Program and Functional Expenses

The costs of providing program services have been summarized on a functional basis in the Statements of Functional Expenses. Costs specifically identified with programs or fundraising are directly allocated to those functions. All costs not identifiable with a specific program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Council's existence, are included as management and general expenses. Expenses that benefit more than one function of the Council are allocated among the functions based generally on the amount of time and effort spent by personnel on each function.

Advertising Expenses

The Council uses advertising in its mission to maintain and increase the global awareness of highbush blueberries and the costs of the advertising are expensed as incurred.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lobbying Expenses

The Council is prohibited from using assessment funds collected in activities influencing legislation, governmental action or policy, other than recommending to the Secretary amendments to the Order. Accordingly, the Council incurs no lobbying expenses.

Income Taxes

The Council is considered an instrumentality of the U.S. Department of Agriculture. As such, the Office of Chief Counsel of the Internal Revenue Service has ruled that organizations such as the Council are not subject to federal income taxation and are generally exempt from other forms of taxation such as state income taxes, personal and real property taxes, and sales taxes.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through February 28, 2020, the date that the financial statements were available to be issued.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

U.S. Highbush Blueberry Council's working capital and cash flows are consistent throughout the year as assessment fees are collected at various dates in the year. Monthly cash outflows vary each year based on the specific requirements of promotional and marketing campaigns.

The Council's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 8,868,030	\$ 7,436,995
Accounts receivable	<u>2,047,457</u>	<u>1,136,511</u>
Financial assets available to meet cash need for expenditures within one year	<u>\$ 10,915,487</u>	<u>\$ 8,573,506</u>

NOTE 4: ADMINISTRATIVE SERVICES AGREEMENT

The Council entered into an agreement with the NABC in which NABC provides certain administrative services to the Council. Specifically, the agreement provides that NABC will maintain the Council's business office, which includes managing day-to-day operations and all correspondence and financial affairs.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 4: ADMINISTRATIVE SERVICES AGREEMENT (CONTINUED)

The NABC also assists in planning and implementing the Council's budget and in carrying out the Council's programs. In addition, NABC handles the collection and disbursement of the Council's assessment funds.

Based on projections of staff time and involvement, most general and administrative expenses are allocated approximately 15% to NABC and 85% to the Council. General and administrative expense reimbursements to NABC totaled \$1,089,858 and \$955,445 for the years ended December 31, 2019 and 2018, respectively. Additionally, the Council paid NABC annual service fees of \$120,000 for each of the years ended December 31, 2019 and 2018.

At December 31, 2019 and 2018, payables to NABC of \$163,623 and \$65,952, respectively, are included in accounts payable.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Domestic crop assessments	\$ 16,012	\$ 3,678
Foreign crop assessments	660,180	439,234
Grant reimbursements from USDA	<u>1,371,265</u>	<u>693,599</u>
Total	<u>\$ 2,047,457</u>	<u>\$ 1,136,511</u>

NOTE 6: EQUIPMENT

Equipment consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 7,628	\$ 7,628
Accumulated depreciation	<u>(7,628)</u>	<u>(7,628)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2016, equipment was fully depreciated.

NOTE 7: HEALTH RESEARCH CONTRACT OBLIGATIONS

In accordance with the Order and to fulfill its purpose, the Council enters into contracts to provide grant funding to various blueberry related health research programs. Health research contract funding which has been authorized but remains unpaid at year-end is reported as a liability. Health research contract obligations at December 31, 2019 and 2018, totaled \$1,669,146 and \$1,427,194, respectively.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 8: OPERATING LEASE COMMITMENT

Through the Administrative Services Agreement with NABC described in Note 4, the Council leased office space under an operating lease agreement entered into on April 1, 2014. The terms of the operating lease provide for monthly payments which range from \$4,638 to \$4,964 during 2018 and 2019, and will increase annually throughout the remainder of the five year lease term (of which 90% is allocated to the Council). The lease was extended for an additional twelve months and will expire on May 31, 2020.

Additionally, through the Administrative Services Agreement with NABC, the Council leases a copier under operating lease and maintenance agreements executed by NABC. The terms of the operating lease provide for monthly payments of \$438 plus amounts based on usage, of which 90% was allocated to the Council, commencing in March 2016 and continuing for thirty-nine months.

Commitments for future minimum rental payments under the remaining term of the operating lease agreements executed by NABC, of which the Council will be allocated approximately 90%, are as follows:

<u>Year Ending December 31:</u>	
2020	<u>\$ 24,126</u>

The rental expenses allocated to the Council totaled \$60,295 and \$54,772 for the years ended December 31, 2019 and 2018, respectively.

NOTE 9: RETIREMENT PLAN

Through the Administrative Services Agreement with NABC described in Note 4, the Council participates in a 401(k) plan. Effective January 1, 2012, NABC converted a previous Simplified Employee Pension plan to a plan under section 401(k) of the Internal Revenue Code ("401(k) plan"). The 401(k) plan covers all employees, except excluded employees, who are at least 21 years of age and have worked at least 1,000 hours during the twelve month period following the date of hire. During 2019 and 2018, the Council made a Safe Harbor non-elective contribution equal to 3% of employees' compensation. The Council may also make additional discretionary matching contributions.

Total retirement plan expense allocated to the Council for the years ended December 31, 2019 and 2018, was \$40,796 and \$32,618, respectively.

SUPPLEMENTARY INFORMATION

U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES
 ACTUAL COMPARED TO BUDGET
 For the Years Ended December 31, 2019 and 2018

	2019		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Revenue:			
Domestic crop assessments	\$ 4,263,177	\$ 4,473,990	\$ (210,813)
Foreign crop assessments	5,040,722	4,200,000	840,722
Grant revenue	1,295,533	1,359,133	(63,600)
Gains from contract expirations	8,419	-	8,419
Other revenue	109,734	-	109,734
Total revenue	<u>10,717,585</u>	<u>10,033,123</u>	<u>684,462</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	7,089,981	7,372,707	(282,726)
Research	1,553,738	1,583,500	(29,762)
Industry relations	181,469	269,000	(87,531)
Food safety	79,228	157,200	(77,972)
USHBC program fees	<u>235,275</u>	<u>230,000</u>	<u>5,275</u>
Total program expenditures	9,139,691	9,612,407	(472,716)
General and administrative	<u>1,527,644</u>	<u>2,116,807</u>	<u>(589,163)</u>
Total expenditures	<u>10,667,335</u>	<u>11,729,214</u>	<u>(1,061,879)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 50,250</u>	<u>\$ (1,696,091)</u>	<u>\$ 1,746,341</u>

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2019 and 2018

	2018		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Revenue:			
Domestic crop assessments	\$ 3,968,438	\$ 3,917,978	\$ 50,460
Foreign crop assessments	4,229,333	3,500,000	729,333
Grant revenue	911,805	917,585	(5,780)
Gains from contract expirations	156,628	-	156,628
Other revenue	34,102	-	34,102
Total revenue	<u>9,300,306</u>	<u>8,335,563</u>	<u>964,743</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	6,282,294	6,351,085	(68,791)
Research	1,169,639	1,197,000	(27,361)
Industry relations	153,213	225,500	(72,287)
Food safety	69,445	154,050	(84,605)
USHBC program fees	<u>208,082</u>	<u>221,000</u>	<u>(12,918)</u>
Total program expenditures	7,882,673	8,148,635	(265,962)
General and administrative	<u>1,159,316</u>	<u>1,804,365</u>	<u>(645,049)</u>
Total expenditures	<u>9,041,989</u>	<u>9,953,000</u>	<u>(911,011)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 258,317</u>	<u>\$ (1,617,437)</u>	<u>\$ 1,875,754</u>

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET
 For the Years Ended December 31, 2019 and 2018

	2019		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Market promotion and publicity:			
Consumer/food service publicity	\$ 3,324,794	\$ 3,440,000	\$ (115,206)
Food manufacturer publicity	650,000	650,000	-
Export food manufacturer promo	648,945	650,000	(1,055)
Export market development	537,045	580,440	(43,395)
Unallocated market promotion	122,334	72,560	49,774
USDA MAP Allocation	210,909	211,540	(631)
Export coordination	112,943	146,000	(33,057)
Pest Analysis for FMA (USHBC)	7,500	40,000	(32,500)
Korea market review Year 2	-	20,000	(20,000)
Year 2 (USDA)	382,190	400,790	(18,600)
TASC EST Perm Korea MRLS (USDA)	189,850	189,850	-
TASC IR4 EU MRL (Phosphonate Y2	1,271	-	1,271
USDA ATP Export Prog Alloc	306,784	309,953	(3,169)
EMP MYANMAR/ S AFRICA EVAL USDA	136,200	136,200	-
QSP ISRAEL & RUSSIA USDA\$	110,800	110,800	-
Omnibus Surveys	34,295	40,000	(5,705)
IRI Retail Tracking Data	33,282	22,850	10,432
Consumer Segmentation Study	171,264	160,000	11,264
Market Research 2019 U&A Study	86,624	94,200	(7,576)
Blueberry Pet Food Performance Project	4,345	25,000	(20,655)
Promotion and publicity reserve	18,606	72,524	(53,918)
	<u>7,089,981</u>	<u>7,372,707</u>	<u>(282,726)</u>
Total market promotion and publicity			
Research:			
Research unallocated expense	(5,000)	-	(5,000)
Research screeners	20,000	26,100	(6,100)
Louisiana State University (Francis)	243,354	243,354	-
Gastroentero GRP (Wilder-Smith)	220,825	220,825	-
University of College Ireland (O'Toole)	635,960	635,960	-
Tufts Medical Center (Gowri Raman)	40,000	40,000	-
University of Fraser Valley (Brandenburg)	58,836	58,836	-
Pointer Study Rebate	6,695	5,000	1,695
AHA heart-check mark	3,500	3,500	-
Blueberry research bank	129,559	135,537	(5,978)
Mind study blueberries	13,881	15,000	(1,119)
Researcher travel	22,536	20,000	2,536
Research administrator	150,000	150,000	-
Sponsorships	2,000	4,000	(2,000)
Blueberry research meeting	11,592	24,363	(12,771)
Research reserve	-	1,025	(1,025)
	<u>1,553,738</u>	<u>1,583,500</u>	<u>(29,762)</u>
Total research			

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2019 and 2018

	2019		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Industry relations:			
Bluespaper	\$ 19,515	\$ 29,000	\$ (9,485)
USHBC annual report	12,569	15,000	(2,431)
Grower meeting shipping	741	-	741
Grower engagement/education	30,725	35,000	(4,275)
Grower outreach/toolbox	30,034	60,000	(29,966)
Grower incentives, print & ship	19,461	30,000	(10,539)
USHBC admin database	21,350	18,000	3,350
Election material prep & dist	3,729	15,000	(11,271)
Blueberry member recruitment	17,103	25,000	(7,897)
Professional memberships	15,075	20,000	(4,925)
Website refresh	11,167	12,000	(833)
Industry relations reserve	-	10,000	(10,000)
Total industry relations	181,469	269,000	(87,531)
Food safety:			
Alert site server/maintenance	5,345	11,000	(5,655)
Media retainer	29,700	29,700	-
Media training	13,500	11,500	2,000
Issue management reserve	20,683	8,000	12,683
Printing	-	5,000	(5,000)
Alliance for Food and Farming	10,000	10,000	-
Good practices research study	-	15,000	(15,000)
Good practices nabrew sponsorship	-	5,500	(5,500)
Food safety reserve	-	61,500	(61,500)
Total food safety	79,228	157,200	(77,972)
USHBC program expenditures:			
USDA/AMS administration fee	115,275	109,000	6,275
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	120,000	120,000	-
Total USHBC program expenditures	235,275	230,000	5,275
Total program expenditures	\$ 9,139,691	\$ 9,612,407	\$ (472,716)

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2019 and 2018

	2018		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Market promotion and publicity:			
Consumer/food service publicity	\$ 3,300,118	\$ 3,300,000	\$ 118
Food manufacturer publicity	658,750	658,750	-
Export food manufacturer promo	744,993	744,993	-
Export market development	479,666	496,257	(16,591)
Unallocated market promotion	(4,868)	-	(4,868)
USDA MAP Allocation	196,540	196,540	-
USDA QSP East India Sampling	69,449	74,101	(4,652)
USDA QSP Vietnam Sampling	73,872	75,000	(1,128)
USDA QSP Colombia Sampling	75,000	75,000	-
USDA EMP Vietnam and Philippines	147,200	147,200	-
Export coordination	84,000	84,000	-
Pest Analysis for FMA (USHBC)	20,106	40,000	(19,894)
Korea market review Year 2	19,751	19,500	251
TASC Insect-related trade barriers project Year 2 (USDA)	349,744	349,744	-
TASC Insect-related trade barriers project for European market (Phosphonate Year 2)	19,119	40,000	(20,881)
Blueberry Pet Food Performance Project	8,000	8,000	-
Expanded consumer market research	40,854	42,000	(1,146)
Total market promotion and publicity	6,282,294	6,351,085	(68,791)
Research:			
USDA HNRCA	26,921	-	26,921
Research screeners	26,500	34,000	(7,500)
Louisiana State University (Francis4)	188,000	188,000	-
University of Nebraska (Rasmussen)	182,160	182,160	-
University of Chichester (Willems)	81,115	81,115	-
Duke University School of Medicine (Kraus)	433,167	433,167	-
North Carolina State University (Kay)	21,157	21,157	-
Berry Health Benefits Symposium	16,000	16,000	-
Pointer Study Rebate	5,000	5,000	-
AHA heart-check mark	3,500	3,500	-
Blueberry research bank	54,976	82,500	(27,524)
Mind study blueberries	5,000	5,000	-
Researcher travel	16,911	17,000	(89)
Research administrator	100,000	100,000	-
Sponsorships	3,618	2,500	1,118
Blueberry research meeting	5,613	15,000	(9,387)
Research reserve	1	10,901	(10,900)
Total research	1,169,639	1,197,000	(27,361)

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2019 and 2018

	2018		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Industry relations:			
Industry relations activities	\$ 18,600	\$ 30,000	\$ (11,400)
Bluespaper	14,284	22,500	(8,216)
USHBC annual report	9,785	15,000	(5,215)
Grower engagement/education	41,968	42,000	(32)
Grower outreach/toolbox	33,835	45,000	(11,165)
Blueberry member recruitment	3,348	18,000	(14,652)
Professional memberships	15,403	18,000	(2,597)
Website refresh	15,990	20,000	(4,010)
Industry relations reserve	-	15,000	(15,000)
Total industry relations	153,213	225,500	(72,287)
Food safety:			
Alert site server/maintenance	5,664	17,500	(11,836)
Media retainer	31,435	28,050	3,385
Media training	-	16,500	(16,500)
Issue management reserve	-	5,000	(5,000)
Printing	4,461	17,000	(12,539)
Alliance for Food and Farming	10,000	10,000	-
Good practices research study	12,310	25,000	(12,690)
Good practices nabrew sponsorship	5,000	5,000	-
Good practices technology symposium video	575	10,000	(9,425)
Food safety reserve	-	20,000	(20,000)
Total food safety	69,445	154,050	(84,605)
USHBC program expenditures:			
USDA/AMS administration fee	88,082	100,000	(11,918)
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	120,000	120,000	-
Total USHBC program expenditures	208,082	221,000	(12,918)
Total program expenditures	\$ 7,882,673	\$ 8,148,635	\$ (265,962)

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENDITURES
ACTUAL COMPARED TO BUDGET

For the Years Ended December 31, 2019 and 2018

	2019		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
General expenditures:			
Office rental and occupancy expenses	\$ 52,926	\$ 57,475	\$ (4,549)
Office insurance and taxes	3,986	4,085	(99)
Subscriptions	6,501	8,500	(1,999)
Printing	17,102	22,325	(5,223)
Office supplies	28,511	12,600	15,911
Telephone and fax	12,054	11,900	154
Computer IT service	26,635	18,275	8,360
Equipment repairs and maintenance	7,346	9,000	(1,654)
Equipment rental	7,369	10,800	(3,431)
Postage and shipment	6,723	13,950	(7,227)
Auto allowance	11,589	11,589	-
Bank charges	3,282	3,600	(318)
Officers' liability	5,905	6,045	(140)
Bonding insurance	80	2,000	(1,920)
Commodity coalition initiative	2,240	3,300	(1,060)
IBO dues	2,000	2,000	-
Special project reserve	-	19,181	(19,181)
Total general expenditures	194,249	216,625	(22,376)
Administrative expenditures:			
Employee salary and wages	658,723	612,788	45,935
Employee benefits	91,376	95,615	(4,239)
Payroll taxes	44,004	40,894	3,110
Workers' compensation insurance	4,270	2,700	1,570
Bookkeeping service	28,080	28,080	-
Retirement program	1,751	1,845	(94)
Legal/audit fees	23,300	23,800	(500)
Legal counsel fees	14,861	5,000	9,861
Trade monitoring	16,900	16,900	-
Depreciation	1,248	1,000	248
Travel and meetings	380,500	362,450	18,050
Executive director search	51,772	63,000	(11,228)
Reserve	16,610	646,110	(629,500)
Total administrative expenditures	1,333,395	1,900,182	(566,787)
Total general and administrative expenditures	\$ 1,527,644	\$ 2,116,807	\$ (589,163)

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended December 31, 2019 and 2018

	2018		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
General expenditures:			
Office rental and occupancy expenses	\$ 49,559	\$ 51,300	\$ (1,741)
Office insurance and taxes	625	1,140	(515)
Subscriptions	3,313	4,400	(1,087)
Printing	18,044	13,300	4,744
Office supplies	10,754	12,600	(1,846)
Telephone and fax	6,769	9,600	(2,831)
Computer IT service	16,540	16,400	140
Equipment repairs and maintenance	7,789	4,950	2,839
Equipment rental	5,213	10,800	(5,587)
Postage and shipment	12,230	9,900	2,330
Auto allowance	7,020	7,020	-
Bank charges	2,537	1,500	1,037
Officers' liability	5,905	4,875	1,030
Bonding insurance	-	2,000	(2,000)
Commodity coalition initiative	2,420	3,300	(880)
IBO dues	2,000	2,000	-
Special project reserve	-	18,750	(18,750)
Total general expenditures	150,718	173,835	(23,117)
Administrative expenditures:			
Employee salary and wages	505,140	508,800	(3,660)
Employee benefits	84,041	97,550	(13,509)
Payroll taxes	32,593	34,689	(2,096)
Workers' compensation insurance	1,383	4,038	(2,655)
Bookkeeping service	27,540	27,540	-
Retirement program	1,258	1,846	(588)
Legal/audit fees	18,954	20,992	(2,038)
Trade monitoring	10,000	10,080	(80)
Depreciation	940	125	815
Travel and meetings	305,149	298,250	6,899
Executive director search	21,600	22,500	(900)
Reserve	-	604,120	(604,120)
Total administrative expenditures	1,008,598	1,630,530	(621,932)
Total general and administrative expenditures	\$ 1,159,316	\$ 1,804,365	\$ (645,049)

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Receipts:		
Domestic crop assessments	\$ 5,172,564	\$ 3,735,263
Foreign crop assessments	4,819,776	4,126,951
Grant revenue	617,867	911,805
Other revenue	<u>109,734</u>	<u>34,102</u>
Total receipts	<u>10,719,941</u>	<u>8,808,121</u>
Disbursements:		
Market promotion and publicity	6,120,418	5,984,414
Research	1,282,294	868,675
Industry relations	145,394	151,869
Food safety	81,476	281,581
USHBC program fees	227,049	226,109
General and administrative	<u>1,432,275</u>	<u>1,240,464</u>
Total disbursements	<u>9,288,906</u>	<u>8,753,112</u>
Excess of receipts over disbursements	1,431,035	55,009
Cash, beginning of year	<u>7,436,995</u>	<u>7,381,986</u>
Cash, end of year	<u>\$ 8,868,030</u>	<u>\$ 7,436,995</u>

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2019

Program Name	Federal CFDA Number	Program Expenditures
<u>Direct programs:</u>		
U.S. Department of Agriculture:		
Market Access Program	10.601	\$ 210,909
Emerging Markets Program	10.603	136,200
Technical Assistance for Specialty Crops Program	10.604	572,040
Quality Samples Program	10.605	110,800
Agricultural Trade Promotion Program	10.618	<u>306,784</u>
Total expenditures of Federal Awards		<u><u>\$ 1,336,733</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

U.S. Highbush Blueberry Council

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2019

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of U.S. Highbush Blueberry Council (the "Council"). All expenditures of federal financial assistance received are included in the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenses of federal grant activity of the Council is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3: CLAIMS

The Council has received federal grants for specific purposes that are subject to review and audit by the Federal Government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

NOTE 4: INDIRECT COST REIMBURSEMENTS

The Uniform Guidance requires that all indirect costs be charged through the use of an approved indirect cost rate. When no indirect cost rate has been approved, the Uniform Guidance allows for a one-time election to use a 10% *de minimus* reimbursement rate. The Council does not have an approved indirect cost rate and has yet to determine if it will elect the 10% *de minimus* reimbursement rate.

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 U.S. Highbush Blueberry Council
Folsom, California

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 U.S. Highbush Blueberry Council which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered U.S. Highbush Blueberry 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 U.S. Highbush Blueberry Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the U.S. Highbush Blueberry 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 U.S. Highbush Blueberry 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*.

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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 U.S. Highbush Blueberry Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering U.S. Highbush Blueberry Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Propp Christensen Caniglia LLP

February 28, 2020
Roseville, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the U.S. Highbush Blueberry Council
Folsom, California

Report on Compliance for Each Major Federal Program

We have audited U.S. Highbush Blueberry Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of U.S. Highbush Blueberry Council's major federal programs for the year ended December 31, 2019. U.S. Highbush Blueberry Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of U.S. Highbush Blueberry Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about U.S. Highbush Blueberry Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of U.S. Highbush Blueberry Council's compliance.

Opinion on Each Major Federal Program

In our opinion, U.S. Highbush Blueberry Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of U.S. Highbush Blueberry Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered U.S. Highbush Blueberry Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for

the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of U.S. Highbush Blueberry Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Propp Christensen Caniglia LLP

February 28, 2020
Roseville, California

U.S. Highbush Blueberry Council
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on basic financial statements	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?	No

Identification of Major Programs:

<u>CDFA Number</u>	<u>Name of Federal Program</u>
10.603	Emerging Markets Program
10.604	Technical Assistance for Specialty Crops Program

The dollar threshold used to distinguish between Type A and Type B programs was:	\$750,000
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U.S. Highbush Blueberry Council does not qualify as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

No current year financial statement findings.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No current year major federal award program findings.