

**U.S. Highbush Blueberry Council**

**FINANCIAL STATEMENTS  
December 31, 2021 and 2020**

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

### Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of U.S. Highbush Blueberry Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about U.S. Highbush Blueberry Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 U.S. Highbush Blueberry Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about U.S. Highbush Blueberry Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **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. The 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, the 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 August 9, 2022, 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 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, 2021 and 2020, 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, 2021 and 2020;
- 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.

*Brogg Christensen Caniglia LLP*

August 9, 2022  
Roseville, California

U.S. Highbush Blueberry Council

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 11,248,640	\$ 9,150,824
Accounts receivable	1,141,248	1,906,085
Prepaid expenses	<u>48,733</u>	<u>31,503</u>
Total current assets	12,438,621	11,088,412
Equipment, net	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,438,621</u>	<u>\$ 11,088,412</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 1,666,752	\$ 1,379,679
Health research contract obligations	590,665	2,279,984
Deferred crop assessments	<u>4,761,474</u>	<u>4,233,811</u>
Total current liabilities	7,018,891	7,893,474
Health research contract obligations, less current portion	<u>1,965,311</u>	<u>-</u>
Total liabilities	8,984,202	7,893,474
Net assets:		
Without donor restrictions	<u>3,454,419</u>	<u>3,194,938</u>
Total liabilities and net assets	<u>\$ 12,438,621</u>	<u>\$ 11,088,412</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Domestic crop assessments	\$ 4,852,161	\$ 5,175,379
Foreign crop assessments	6,157,118	5,355,774
Contributions	40,000	-
Grant revenue	826,971	815,541
Gains from contract expirations	-	97,652
Other revenue	<u>52,433</u>	<u>107,672</u>
Total revenue	<u>11,928,683</u>	<u>11,552,018</u>
Expenses:		
Market promotion and publicity	4,512,019	4,134,429
Export market promotion	2,686,422	2,412,345
Research	1,218,692	1,533,563
Industry relations	791,581	655,372
Data and measurement	283,483	-
Good practices	11,821	60,914
Blueberry technology	56,279	117,000
USHBC program fees	249,197	238,925
General and administrative	<u>1,859,708</u>	<u>1,656,372</u>
Total expenses	<u>11,669,202</u>	<u>10,808,920</u>
Change in net assets without donor restrictions	259,481	743,098
Net assets without donor restrictions, beginning of year	<u>3,194,938</u>	<u>2,451,840</u>
Net assets without donor restrictions, end of year	<u>\$ 3,454,419</u>	<u>\$ 3,194,938</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, 2021 and 2020

	2021			
	Program Services	Management and General	Fundraising	Total
Market promotion and publicity	\$ 4,512,019	\$ -	\$ -	\$ 4,512,019
Export market promotion	2,686,422			2,686,422
Research	1,218,692	-	-	1,218,692
Industry relations	685,964	105,617	-	791,581
Data and measurement	283,483	-	-	283,483
Good practices	11,821	-	-	11,821
Blueberry technology	56,279	-	-	56,279
USHBC program fees	-	249,197	-	249,197
Salaries and wages	630,916	278,040	22,281	931,237
Employee benefits	80,213	34,724	2,997	117,934
Travel and meetings	147,426	122,252	-	269,678
Postage/shipment	9,765	3,255	-	13,020
Office rent	-	143,718	-	143,718
Printing	9,769	9,768	-	19,537
Office supplies	29,135	9,711	-	38,846
Computer IT service	16,489	5,496	-	21,985
Payroll taxes	44,959	20,199	-	65,158
Bookkeeping service	-	31,320	-	31,320
Legal/audit fees	-	23,900	-	23,900
Legal counsel	-	24,008	-	24,008
Other expenses	96,548	62,819	-	159,367
	<u>\$ 10,519,900</u>	<u>\$ 1,124,024</u>	<u>\$ 25,278</u>	<u>\$ 11,669,202</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, 2021 and 2020

	2020			
	Program Services	Management and General	Fundraising	Total
Market promotion and publicity	\$ 4,134,429	\$ -	\$ -	\$ 4,134,429
Export market promotion	2,412,345			2,412,345
Research	1,503,563	30,000	-	1,533,563
Industry relations	655,372	-	-	655,372
Good practices	60,914	-	-	60,914
Blueberry technology	117,000	-	-	117,000
USHBC program fees	-	238,925	-	238,925
Salaries and wages	448,186	231,073	21,143	700,402
Employee benefits	44,945	26,809	-	71,754
Travel and meetings	148,562	125,938	-	274,500
Postage/shipment	10,361	3,454	-	13,815
Office rent	-	51,224	-	51,224
Printing	12,834	12,834	-	25,668
Office supplies	13,126	13,126	-	26,252
Computer IT service	22,832	7,610	-	30,442
Payroll taxes	34,883	11,628	-	46,511
Bookkeeping service	-	29,700	-	29,700
Legal/audit fees	-	23,500	-	23,500
Legal counsel	-	26,839	-	26,839
Trade monitoring	16,900	-	-	16,900
Recruiting	-	44,443	-	44,443
Market analysis and reporting	94,035	-	-	94,035
Moving expenses	-	96,110	-	96,110
Other expenses	34,531	49,746	-	84,277
	<u>\$ 9,764,818</u>	<u>\$ 1,022,959</u>	<u>\$ 21,143</u>	<u>\$ 10,808,920</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from growers and governmental agencies	\$ 13,192,043	\$ 10,327,523
Cash paid to vendors and employees	(11,123,367)	(10,105,988)
Interest received	29,140	61,259
	<u>2,097,816</u>	<u>282,794</u>
Net cash provided by operating activities	2,097,816	282,794
Net increase in cash	2,097,816	282,794
Cash, beginning of year	<u>9,150,824</u>	<u>8,868,030</u>
Cash, end of year	<u>\$ 11,248,640</u>	<u>\$ 9,150,824</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	\$ 259,481	\$ 743,098
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Gain on contract expiration	-	(97,652)
Change in operating assets and liabilities:		
Accounts receivable	764,837	141,372
Prepaid expenses	(17,230)	(20,688)
Accounts payable	287,073	(475,293)
Health research contract obligations	275,992	610,838
Deferred crop assessments	527,663	(618,881)
	<u>\$ 2,097,816</u>	<u>\$ 282,794</u>
Net cash provided by operating activities	<u>\$ 2,097,816</u>	<u>\$ 282,794</u>

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

U.S. Highbush Blueberry Council

Notes to Financial Statements  
December 31, 2021 and 2020

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

The Council presents its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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, 2021 and 2020, U.S. Highbush Blueberry Council had no net assets with donor restrictions.

U.S. Highbush Blueberry Council

Notes to Financial Statements  
December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020 to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded.

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.

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.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2021. Early application is permitted. The Council is currently evaluating the impact the adoption of this ASU will have on its financial statements.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified, with no effect to change in unrestricted net assets, to conform to the 2021 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through August 9, 2022, 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>2021</u>	<u>2020</u>
Cash	\$ 11,248,640	\$ 9,150,824
Accounts receivable	<u>1,141,248</u>	<u>1,906,085</u>
Financial assets available to meet cash need for expenditures within one year	<u>\$ 12,389,888</u>	<u>\$ 11,056,909</u>

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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.

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 \$1,659,797 and \$1,289,139 for the years ended December 31, 2021 and 2020, respectively. Additionally, the Council paid NABC annual service fees of \$120,000 for each of the years ended December 31, 2021 and 2020.

At December 31, 2021 and 2020, payables to NABC of \$445,285 and \$208,122, respectively, are included in accounts payable.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2021 and 2020:

	2021	2020
Domestic crop assessments	\$ 37,678	\$ 44,028
Foreign crop assessments	600,430	718,466
Grant reimbursements from USDA	503,140	1,143,591
Total	\$ 1,141,248	\$ 1,906,085

NOTE 6: EQUIPMENT

Equipment consists of the following at December 31, 2021 and 2020:

	2021	2020
Office equipment	\$ 7,628	\$ 7,628
Accumulated depreciation	(7,628)	(7,628)
Total	\$ -	\$ -

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, 2021 and 2020, totaled \$2,555,976 and \$2,279,984, respectively.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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 \$4,964 to \$7,238 during 2020, and increased annually throughout the remainder of the five-year lease term (of which 95% is allocated to the Council). The lease was extended for an additional twelve months and expired on May 31, 2020.

Through the Administrative Services Agreement with NABC described in Note 4, the Council entered into an operating lease agreement for office space on March 17, 2020. The lease began on August 1, 2020 and will expire on November 30, 2025. The terms of the operating lease provided for monthly payments of \$12,556 during 2020, and will increase by 3% each November throughout the remainder of the lease term, of which 95% is allocated to USHBC. The Council has the option to extend the lease for one additional five-year term.

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 95%, are as follows:

<u>Year Ending December 31:</u>	
2022	\$ 147,805
2023	152,239
2024	156,810
2025	<u>161,508</u>
	<u>\$ 618,362</u>

The rental expenses allocated to the Council totaled \$150,108 and \$57,788 for the years ended December 31, 2021 and 2020, 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 2021 and 2020, 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, 2021 and 2020, was \$43,212 and \$13,128, respectively.

NOTE 10: RISKS AND UNCERTAINTIES

The COVID-19 coronavirus outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there continues to be considerable uncertainty around the duration. However, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION



U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES  
 ACTUAL COMPARED TO BUDGET  
 For the Years Ended December 31, 2021 and 2020

	2021		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Revenue:			
Domestic crop assessments	\$ 4,852,161	\$ 5,230,000	\$ (377,839)
Foreign crop assessments	6,157,118	5,600,000	557,118
Grant revenue	826,971	599,195	227,776
Contributions	40,000	40,000	-
Other revenue	52,433	56,246	(3,813)
Total revenue	<u>11,928,683</u>	<u>11,525,441</u>	<u>403,242</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	4,512,019	4,675,500	(163,481)
Export market promotion	2,686,422	2,706,595	(20,173)
Research	1,218,692	1,515,125	(296,433)
Industry relations	791,581	842,290	(50,709)
Data and measurement	283,483	350,000	(66,517)
Good practices	11,821	75,000	(63,179)
Blueberry technology	56,279	214,000	(157,721)
USHBC program fees	249,197	271,000	(21,803)
Total program expenditures	<u>9,809,494</u>	<u>10,649,510</u>	<u>(840,016)</u>
General and administrative	<u>1,859,708</u>	<u>2,376,501</u>	<u>(516,793)</u>
Total expenditures	<u>11,669,202</u>	<u>13,026,011</u>	<u>(1,356,809)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 259,481</u>	<u>\$ (1,500,570)</u>	<u>\$ 1,760,051</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, 2021 and 2020

	2020		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Revenue:			
Domestic crop assessments	\$ 5,175,379	\$ 5,383,800	\$ (208,421)
Foreign crop assessments	5,355,774	5,200,000	155,774
Grant revenue	815,541	1,457,733	(642,192)
Gains from contract expirations	97,652	-	97,652
Other revenue	107,672	-	107,672
Total revenue	<u>11,552,018</u>	<u>12,041,533</u>	<u>(489,515)</u>
Expenditures:			
Program expenditures:			
Market promotion and publicity	6,546,774	7,440,863	(894,089)
Research	1,533,563	1,764,125	(230,562)
Industry relations	772,372	910,375	(138,003)
Food safety	60,914	86,500	(25,586)
USHBC program fees	<u>238,925</u>	<u>261,000</u>	<u>(22,075)</u>
Total program expenditures	9,152,548	10,462,863	(1,310,315)
General and administrative	<u>1,656,372</u>	<u>2,318,643</u>	<u>(662,271)</u>
Total expenditures	<u>10,808,920</u>	<u>12,781,506</u>	<u>(1,972,586)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 743,098</u>	<u>\$ (739,973)</u>	<u>\$ 1,483,071</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, 2021 and 2020

	2021		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
<b>Market promotion and publicity:</b>			
Consumer/food service publicity	\$ 2,759,971	\$ 2,793,000	\$ (33,029)
Domestic health professional	544,385	564,000	(19,615)
Food service publicity	507,612	500,000	7,612
American heart association certificate	3,500	3,500	-
Digital refresh	197,077	200,000	(2,923)
Retail effort	499,474	500,000	(526)
Corporate branding	-	15,000	(15,000)
Promotion and publicity reserve	-	100,000	(100,000)
<b>Total market promotion and publicity</b>	<b>4,512,019</b>	<b>4,675,500</b>	<b>(163,481)</b>
<b>Export market promotion:</b>			
TASC insect trade barrier yr4	160,794	-	160,794
TASC nat'l residue decline curv	139,420	-	139,420
TASC estab perm korean mrls	76,675	-	76,675
Global food manufac pub program	1,165,361	1,300,000	(134,639)
Export consumer promo (USHBC)	495,565	540,000	(44,435)
USDA MAP Export Alloc (USDA)	299,195	299,195	-
USDA ATP Export Prog All (USDA)	150,887	-	150,887
USDA EMP Russia	-	300,000	(300,000)
UES Export Program Admin	50,274	60,000	(9,726)
Technical export assistance	100,851	110,000	(9,149)
Weekly blueberry trade monitor	20,000	20,000	-
Comprehensive bb mrl memo	10,500	10,500	-
Trade monitoring	16,900	16,900	-
Unallocated export marketing expense	-	50,000	(50,000)
<b>Total export market promotion</b>	<b>2,686,422</b>	<b>2,706,595</b>	<b>(20,173)</b>
<b>Research:</b>			
Research unallocated expense	-	1,190,000	(1,190,000)
Research screeners	31,200	32,000	(800)
Grant management program	5,279	5,125	154
Loma Linda University (Sabate)	299,197	-	299,197
University of Birmingham, UK (Rendeiro)	195,265	-	195,265
Duke University (Doraiswamy)	115,000	-	115,000
University of Kansas Medical Center (Choi)	389,701	-	389,701
Pointer Study rebate	12,035	15,000	(2,965)
Blueberry research bank	62,626	90,000	(27,374)
Mind study blueberries	1,003	6,000	(4,997)
Researcher travel	-	5,000	(5,000)
Research administrator	107,386	150,000	(42,614)
Sponsorships	-	4,000	(4,000)
Research reserve	-	18,000	(18,000)
<b>Total research</b>	<b>1,218,692</b>	<b>1,515,125</b>	<b>(296,433)</b>

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, 2021 and 2020

	2021		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Industry relations:			
Industry communications	\$ 211,235	\$ 195,000	\$ 16,235
Trade and industry publication	68,175	100,000	(31,825)
Election material prep and distribution	12,965	15,000	(2,035)
Professional memberships	30,155	39,050	(8,895)
Industry outreach	55,458	50,000	5,458
Industry leadership development	18,480	25,000	(6,520)
Grower incentives, print and ship	41,539	70,000	(28,461)
Association management system	68,753	53,240	15,513
Vision and strategic planning	284,821	195,000	89,821
Industry relations reserve	-	100,000	(100,000)
Total industry relations	<u>791,581</u>	<u>842,290</u>	<u>(50,709)</u>
Data and measurement:			
Data research and analysis	224,650	200,000	24,650
Data subscriptions	<u>58,833</u>	<u>150,000</u>	<u>(91,167)</u>
Total data and measurement	<u>283,483</u>	<u>350,000</u>	<u>(66,517)</u>
Good practices:			
Crisis management	<u>11,821</u>	<u>75,000</u>	<u>(63,179)</u>
Blueberry technology:			
Blueberry technology symposium	20,000	20,000	-
Blueberry tech outreach	36,279	64,000	(27,721)
Tech contractor	-	60,000	(60,000)
Blueberry tech unallocated exp	<u>-</u>	<u>70,000</u>	<u>(70,000)</u>
Total blueberry technology	<u>56,279</u>	<u>214,000</u>	<u>(157,721)</u>
USHBC program fees:			
USDA/AMS administration fee	129,197	150,000	(20,803)
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Total USHBC program fees	<u>249,197</u>	<u>271,000</u>	<u>(21,803)</u>
Total program expenditures	<u>\$ 9,809,494</u>	<u>\$ 10,649,510</u>	<u>\$ (819,843)</u>

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, 2021 and 2020

	2020		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Market promotion and publicity:			
Consumer/food service publicity	\$ 2,306,043	\$ 2,319,933	\$ (13,890)
Domestic health professional	568,177	568,177	-
Food service publicity	536,232	525,000	11,232
Unallocated export marketing expense	-	49,500	(49,500)
American heart association certificate	3,500	3,500	-
TASC insect trade barrier yr4	236,066	395,924	(159,858)
TASC nat'l residue decline curv	127,280	463,560	(336,280)
Global food manufac pub program	884,754	1,030,000	(145,246)
Export consumer promo (USHBC)	471,359	560,000	(88,641)
USDA MAP Export Alloc (USDA)	207,500	207,449	51
USDA ATP Export Prog All (USDA)	257,252	300,000	(42,748)
USDA EMP Russia	-	90,800	(90,800)
UES Export Program Admin	52,634	60,000	(7,366)
Technical export assistance	83,333	120,000	(36,667)
Weekly blueberry trade monitor	16,667	20,000	(3,333)
Comprehensive bb mrl memo	10,500	10,500	-
Global manufac oppty assmt	35,000	50,000	(15,000)
Global health messaging audit	30,000	30,000	-
IRI Retail Tracking Data	51,193	21,150	30,043
Market Research 2019 U&A Study	9,420	-	9,420
Digital refresh	234,978	210,370	24,608
Retail effort	188,800	80,000	108,800
Corporate branding	112,836	90,000	22,836
Strategic refresh	123,250	85,000	38,250
Promotion and publicity reserve	-	150,000	(150,000)
<b>Total market promotion and publicity</b>	<b>6,546,774</b>	<b>7,440,863</b>	<b>(894,089)</b>
Research:			
Research screeners	31,600	40,000	(8,400)
Cornell University	(87)	-	(87)
Grant management program	5,125	5,125	-
Fraser Valley (Brandenburg)	56,705	56,705	-
Queen's University Belfast (Cass-Rim)	304,414	304,414	-
Beth Israel (Mukamal)	475,843	475,843	-
Appalachian State University (Nieman)	188,541	188,541	-
University of Colorado (Tang)	296,597	296,595	2
Duke University School of Medicine (Kraus)	9	-	9
Pointer Study Rebate	4,571	35,000	(30,429)
Blueberry research bank	205	90,000	(89,795)
Mind study blueberries	10,753	54,000	(43,247)
Researcher travel	4,176	25,000	(20,824)
Research administrator	150,000	150,000	-
Sponsorships	-	4,000	(4,000)
Blueberry research meeting	5,111	36,000	(30,889)
Research reserve	-	2,902	(2,902)
<b>Total research</b>	<b>1,533,563</b>	<b>1,764,125</b>	<b>(230,562)</b>

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, 2021 and 2020

	2020		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Industry relations:			
Bluespaper	\$ 86,103	\$ 29,000	\$ 57,103
USHBC annual report	15,000	15,000	-
Grower engagement/education	79,000	79,000	-
Grower outreach/toolbox	97,006	80,000	17,006
Grower incentives, print and ship	35,214	30,000	5,214
USHBC admin database	37,000	29,750	7,250
Election material prep and distribution	-	15,000	(15,000)
Blueberry member recruitment	23,000	25,000	(2,000)
Professional memberships	14,996	19,125	(4,129)
Association mgmt system	60,053	148,500	(88,447)
Database for mkt monitoring	118,000	100,000	18,000
Anniversary campaign	30,000	30,000	-
Vision campaign	60,000	60,000	-
Blueberry technology symposium	-	50,000	(50,000)
Blueberry tech outreach	56,500	-	56,500
Industry technology priority su	26,500	28,000	(1,500)
Tech contractor	-	60,000	(60,000)
Blueberry tech unallocated exp	34,000	112,000	(78,000)
Total industry relations	<u>772,372</u>	<u>910,375</u>	<u>(138,003)</u>
Food safety:			
Printing	7,000	5,000	2,000
Alliance for Food and Farming	11,000	10,000	1,000
Crisis management	42,914	30,000	12,914
Food safety reserve	-	41,500	(41,500)
Total food safety	<u>60,914</u>	<u>86,500</u>	<u>(25,586)</u>
USHBC program fees:			
USDA/AMS administration fee	118,925	140,000	(21,075)
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	120,000	120,000	-
Total USHBC program fees	<u>238,925</u>	<u>261,000</u>	<u>(22,075)</u>
Total program expenditures	<u>\$ 9,152,548</u>	<u>\$ 10,462,863</u>	<u>\$ (1,310,315)</u>

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, 2021 and 2020

	2021		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
General expenditures:			
Office rent	\$ 143,718	\$ 151,426	\$ (7,708)
Office insurance and taxes	1,021	4,085	(3,064)
Subscriptions	18,619	12,000	6,619
Printing	19,537	20,000	(463)
Office supplies	38,846	20,000	18,846
Telephone and fax	11,940	12,000	(60)
Computer IT services	21,985	20,000	1,985
Equipment repairs and maintenance	7,613	10,000	(2,387)
Equipment rental	6,390	11,000	(4,610)
Postage and shipment	13,020	15,000	(1,980)
Auto allowance	10,800	10,800	-
Offsite document storage	18,122	20,000	(1,878)
Bank charges	4,590	3,600	990
Officers' liability insurance	10,371	6,045	4,326
Bonding insurance	-	2,000	(2,000)
Special project reserve	-	289,200	(289,200)
Total general expenditures	<u>326,572</u>	<u>607,156</u>	<u>(280,584)</u>
Administrative expenditures:			
Employee salary and wages	931,237	919,020	12,217
Employee benefits	117,934	95,272	22,662
Payroll taxes	65,158	65,044	114
Workers' compensation insurance	7,202	6,000	1,202
Bookkeeping service	31,320	29,700	1,620
Retirement program administration	3,316	1,845	1,471
Legal/audit fees	23,900	23,500	400
Legal counsel fees	24,008	15,000	9,008
Depreciation	423	1,000	(577)
Travel and meetings	269,678	405,000	(135,322)
Admin support services	6,590	-	6,590
Professional development	37,917	35,000	2,917
Reserve	14,453	172,964	(158,511)
Total administrative expenditures	<u>1,533,136</u>	<u>1,769,345</u>	<u>(236,209)</u>
Total general and administrative expenditures	<u>\$ 1,859,708</u>	<u>\$ 2,376,501</u>	<u>\$ (516,793)</u>

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, 2021 and 2020

	2020		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
General expenditures:			
Office rental and occupancy expenses	\$ 51,224	\$ 129,200	\$ (77,976)
Office insurance and taxes	4,674	4,085	589
Subscriptions	5,721	11,560	(5,839)
Printing	25,668	22,325	3,343
Office supplies	26,252	14,400	11,852
Telephone and fax	11,834	11,900	(66)
Computer IT service	30,442	21,250	9,192
Equipment repairs and maintenance	1,037	9,000	(7,963)
Equipment rental	6,564	10,800	(4,236)
Postage and shipment	13,815	14,895	(1,080)
Moving expenses	96,110	85,500	10,610
Auto allowance	10,800	11,588	(788)
Bank charges	2,735	3,600	(865)
Officers' liability	6,822	6,045	777
Bonding insurance	-	2,000	(2,000)
Commodity coalition initiative	2,250	3,300	(1,050)
IBO dues	2,000	2,000	-
Special project reserve	114	318,620	(318,506)
<b>Total general expenditures</b>	<b>298,062</b>	<b>682,068</b>	<b>(384,006)</b>
Administrative expenditures:			
Employee salary and wages	700,402	878,501	(178,099)
Employee benefits	71,754	105,587	(33,833)
Payroll taxes	46,511	68,850	(22,339)
Workers' compensation insurance	2,068	5,580	(3,512)
Bookkeeping service	29,700	29,700	-
Retirement program	1,571	1,845	(274)
Legal/audit fees	23,500	22,912	588
Legal counsel fees	26,839	10,000	16,839
Trade monitoring	16,900	16,900	-
Association of WA business	-	1,250	(1,250)
Market analysis and reporting	94,035	60,000	34,035
Depreciation	1,468	1,000	468
Travel and meetings	274,500	434,450	(159,950)
Recruiting	44,443	-	44,443
Professional development	11,869	-	11,869
Reserve	12,750	-	12,750
<b>Total administrative expenditures</b>	<b>1,358,310</b>	<b>1,636,575</b>	<b>(278,265)</b>
<b>Total general and administrative expenditures</b>	<b>\$ 1,656,372</b>	<b>\$ 2,318,643</b>	<b>\$ (662,271)</b>

See independent auditor's report.



U.S. Highbush Blueberry Council

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Receipts:		
Domestic crop assessments	\$ 5,386,174	\$ 4,528,482
Foreign crop assessments	6,275,154	5,297,488
Grant revenue	1,467,422	455,140
Contributions	40,000	-
Other revenue	52,433	107,672
	<u>13,221,183</u>	<u>10,388,782</u>
Disbursements:		
Market promotion and publicity	4,133,994	6,534,019
Export market promotion	3,094,659	-
Research	943,312	940,060
Industry relations	718,682	713,212
Data and measurement	264,716	-
Food safety	13,861	58,874
Blueberry technology	125,500	-
USHBC program fees	237,945	241,762
General and administrative	1,590,698	1,618,061
	<u>11,123,367</u>	<u>10,105,988</u>
Excess of receipts over disbursements	2,097,816	282,794
Cash, beginning of year	<u>9,150,824</u>	<u>8,868,030</u>
Cash, end of year	<u><u>\$ 11,248,640</u></u>	<u><u>\$ 9,150,824</u></u>

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2021

Federal Grantor Program Title	Federal Assistance Listing Number	Program Expenditures
<u>Direct programs:</u>		
U.S. Department of Agriculture:		
Market Access Program	10.601	\$ 299,195
Technical Assistance for Specialty Crops Program	10.604	
Establish Residue Decline Curves for Select Pesticides		139,420
Eliminating Insect-Related Trade Barriers for the Eastern US Highbush Blueberry Industry-Year 4		160,794
Establish Permanent Maximum Residue Levels for US Highbush Blueberries in South Korea		<u>76,675</u>
Subtotal		<u>376,889</u>
Agricultural Trade Promotion Program	10.618	<u>150,887</u>
Total expenditures of Federal Awards		<u>\$ 826,971</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, 2021

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 minimis* reimbursement rate. The Council does not have an approved indirect cost rate and has yet to determine if it will elect the 10% *de minimis* 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 statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 9, 2022.

### Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of U.S. Highbush Blueberry Council's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

### Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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*

August 9, 2022  
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**

***Opinion on Each Major Federal Program***

We have audited U.S. Highbush Blueberry Council's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of U.S. Highbush Blueberry Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of U.S. Highbush Blueberry Council's compliance with the compliance requirements referred to above.

***Responsibilities of Management's for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to U.S. Highbush Blueberry Council's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on U.S. Highbush Blueberry Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the

aggregate, it would influence the judgment made by a reasonable user of the report on compliance about U.S. Highbush Blueberry Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding U.S. Highbush Blueberry Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of U.S. Highbush Blueberry Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 U.S. Highbush Blueberry Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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*

August 9, 2022  
Roseville, California

U.S. Highbush Blueberry Council

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2021

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>
10.604	Technical Assistance for Specialty Crops

The dollar threshold used to distinguish between Type A and Type B programs was: \$750,000

U.S. Highbush Blueberry Council was determined to be a low-risk auditee pursuant to the Uniform Guidance.

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.

IV. OTHER ISSUES

No Summary Schedule of Prior Audit Findings has been included in these financial statements since there were no findings in prior years.