

U.S. Highbush Blueberry Council

FINANCIAL STATEMENTS
December 31, 2023 and 2022

U.S. Highbush Blueberry Council

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2023 and 2022, 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 present fairly, in all material respects, the financial position of U.S. Highbush Blueberry Council as of December 31, 2023 and 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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.

9261 Sierra College Boulevard
Roseville, California 95661

916.751.2900
916.751.2979 FAX

pccllp.com

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 15 - 25, 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 schedule of expenditures of federal awards 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 May 10, 2024, 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, 2023 and 2022, 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, 2023 and 2022;
- 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

May 10, 2024
Roseville, California

U.S. Highbush Blueberry Council

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	ASSETS	
	2023	2022
Current assets:		
Cash	\$ 8,871,772	\$ 8,828,766
Accounts receivable	1,274,122	2,651,452
Contributions receivable	1,193,022	1,715,368
Prepaid expenses	15,080	192,188
Total current assets	11,353,996	13,387,774
Equipment, net	-	-
Operating lease right-of-use asset	275,345	405,191
Total assets	<u>\$ 11,629,341</u>	<u>\$ 13,792,965</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,493,600	\$ 2,437,834
Health research contract obligations	1,790,924	2,451,848
Deferred crop assessments	4,564,354	4,306,796
Operating lease obligation, current portion	162,349	145,653
Total current liabilities	9,011,227	9,342,131
Long-term liabilities:		
Health research contract obligations, less current portion	-	586,626
Operating lease obligation, less current portion	140,440	295,262
Total long-term liabilities	140,440	881,888
Total liabilities	9,151,667	10,224,019
Net assets:		
Without donor restrictions	2,477,674	3,568,946
Total liabilities and net assets	<u>\$ 11,629,341</u>	<u>\$ 13,792,965</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, 2023 and 2022

	2023	2022
Revenue:		
Domestic crop assessments	\$ 4,295,965	\$ 4,935,666
Foreign crop assessments	5,990,700	6,891,808
Contributions	2,204,632	2,837,842
Grant revenue	1,181,826	1,240,686
Other revenue	182,820	45,110
Total revenue	13,855,943	15,951,112
Expenses:		
Program expenses:		
Market promotion and publicity	6,213,997	5,972,327
Export market promotion	2,561,664	3,254,436
Health research and nutrition	498,110	1,451,714
Industry relations	513,035	731,973
Data and measurement	756,919	727,844
Good practices	43,403	86,163
Blueberry technology	123,655	80,000
Total program expenses	10,710,783	12,304,457
Management and General:		
USHBC program fees	327,847	261,271
General expenses	511,437	383,682
Operating expenses	2,379,706	1,979,632
Travel and meeting expenses	1,017,442	907,543
Total Management and General	4,236,432	3,532,128
Total expenses	14,947,215	15,836,585
Change in net assets without donor restrictions	(1,091,272)	114,527
Net assets without donor restrictions, beginning of year	3,568,946	3,454,419
Net assets without donor restrictions, end of year	\$ 2,477,674	\$ 3,568,946

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, 2023 and 2022

	2023		
	Program Services	Management and General	Total
Market promotion and publicity	\$ 6,213,997	\$ -	\$ 6,213,997
Export market promotion	2,561,664	-	2,561,664
Research	498,110	-	498,110
Industry relations	513,035	-	513,035
Data and measurement	756,919	-	756,919
Good practices	43,403	-	43,403
Blueberry technology	123,655	-	123,655
USDA/AMS administration fee	-	207,847	207,847
NABC resources and service fee	-	120,000	120,000
Office rent	-	152,163	152,163
Insurance and taxes	-	13,024	13,024
Subscriptions	-	168,486	168,486
Printing	-	13,273	13,273
Office expenses and supplies	-	46,267	46,267
Telephone and fax	-	10,622	10,622
Computer IT service	-	59,793	59,793
Equipment repairs and maintenance	-	106	106
Equipment rental	-	3,901	3,901
Postage and shipping	-	34,417	34,417
Offsite document storage	-	2,736	2,736
Bank charges	-	6,649	6,649
Salaries, payroll taxes, and insurances	-	1,922,247	1,922,247
Workers compensation	-	2,822	2,822
Recruitment services	-	36,059	36,059
Administrative support services	-	110,959	110,959
Bookkeeping service	-	38,884	38,884
Professional development	-	78,851	78,851
Retirement program administration	-	3,632	3,632
Audit fees	-	27,500	27,500
Legal counsel fees	-	64,551	64,551
Depreciation	-	719	719
Unallocated operating expenses	-	93,482	93,482
Travel expenses	-	412,660	412,660
Meeting expenses	-	604,782	604,782
	<u>\$ 10,710,783</u>	<u>\$ 4,236,432</u>	<u>\$ 14,947,215</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, 2023 and 2022

	2022		
	Program Services	Management and General	Total
Market promotion and publicity	\$ 5,972,327	\$ -	\$ 5,972,327
Export market promotion	3,254,436	-	3,254,436
Research	1,451,714	-	1,451,714
Industry relations	731,973	-	731,973
Data and measurement	727,844	-	727,844
Good practices	86,163	-	86,163
Blueberry technology	80,000	-	80,000
USDA/AMS administration fee	-	141,271	141,271
NABC resources and service fee	-	120,000	120,000
Office rent	-	190,683	190,683
Insurance and taxes	-	12,082	12,082
Subscriptions	-	22,165	22,165
Printing	-	14,574	14,574
Office expenses and supplies	-	45,226	45,226
Telephone and fax	-	9,161	9,161
Computer IT service	-	40,433	40,433
Equipment repairs and maintenance	-	1,446	1,446
Equipment rental	-	4,415	4,415
Postage and shipping	-	24,559	24,559
Auto allowance	-	10,800	10,800
Offsite document storage	-	2,459	2,459
Bank charges	-	4,626	4,626
Unallocated general expenses	-	1,053	1,053
Salaries, payroll taxes, and insurances	-	1,645,008	1,645,008
Workers compensation	-	5,743	5,743
Recruitment services	-	28,809	28,809
Administrative support services	-	33,772	33,772
Bookkeeping service	-	32,400	32,400
Professional development	-	37,462	37,462
Retirement program administration	-	2,359	2,359
Audit fees	-	25,000	25,000
Legal counsel fees	-	61,921	61,921
Depreciation	-	2,384	2,384
Unallocated operating expenses	-	104,774	104,774
Travel expenses	-	369,193	369,193
Meeting expenses	-	538,350	538,350
	<u>\$ 12,304,457</u>	<u>\$ 3,532,128</u>	<u>\$ 15,836,585</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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from growers and governmental agencies	\$ 15,987,599	\$ 12,253,259
Cash paid to vendors and employees	(15,970,171)	(14,690,736)
Interest received	25,578	17,603
Net cash provided by (used in) operating activities	43,006	(2,419,874)
Net increase (decrease) in cash	43,006	(2,419,874)
Cash, beginning of year	8,828,766	11,248,640
Cash, end of year	<u>\$ 8,871,772</u>	<u>\$ 8,828,766</u>
Reconciliation of change in net assets without donor restrictions <u>net cash provided by (used in) operating activities:</u>		
Change in net assets without donor restrictions	\$ (1,091,272)	\$ 114,527
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Amortization of operating lease right-of-use asset	129,846	135,371
Change in operating assets and liabilities:		
Accounts receivable	1,377,330	(1,510,204)
Contributions receivable	522,346	(1,715,368)
Prepaid expenses	177,108	(143,455)
Accounts payable	55,766	771,082
Health research contract obligations	(1,247,550)	482,498
Deferred crop assessments	257,558	(454,678)
Operating lease obligation	(138,126)	(99,647)
Net cash provided by (used in) operating activities	<u>\$ 43,006</u>	<u>\$ (2,419,874)</u>

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

U.S. Highbush Blueberry Council

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022, U.S. Highbush Blueberry Council had no net assets with donor restrictions.

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022

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.

Leases

The Organization presents its leases in accordance with the provisions of FASB ASC 842, *Leases*. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, have not been recorded on the balance sheet and are recognized as lease expense on a straight-line basis over the lease term.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified, with no effect to change in unrestricted net assets, to conform to the 2023 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through May 10, 2024, 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:

	2023	2022
Cash	\$ 8,871,772	\$ 8,828,766
Accounts receivable	1,274,122	2,651,452
Contributions receivable	1,193,022	1,715,368
Financial assets available to meet cash need for expenditures within one year	<u>\$ 11,338,916</u>	<u>\$ 13,195,586</u>

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 \$3,608,005 and \$3,071,819 for the years ended December 31, 2023 and 2022, respectively. Additionally, the Council paid NABC annual service fees of \$120,000 for each of the years ended December 31, 2023 and 2022.

At December 31, 2023 and 2022, payables to NABC of \$920,891 and \$971,756, respectively, are included in accounts payable.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2023 and 2022:

	2023	2022
Domestic crop assessments	\$ 74,828	\$ 633,223
Foreign crop assessments	614,950	652,123
Grant reimbursements from USDA	584,344	1,366,106
Total accounts receivable	<u>\$ 1,274,122</u>	<u>\$ 2,651,452</u>

NOTE 6: EQUIPMENT

Equipment consists of the following at December 31, 2023 and 2022:

	2023	2022
Office equipment	\$ 7,628	\$ 7,628
Accumulated depreciation	(7,628)	(7,628)
Total	<u>\$ -</u>	<u>\$ -</u>

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

U.S. Highbush Blueberry Council

NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023 and 2022, totaled \$1,790,924 and \$3,038,474, respectively.

NOTE 8: OPERATING LEASE OBLIGATIONS

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 which ranged from \$12,933 to \$13,721 during 2022 and 2023, and will increase by 3% each November throughout the remainder of the lease term, of which 5% is allocated to NABC.

The future minimum lease payments and a reconciliation of undiscounted cash flows under operating lease obligation at December 31, 2023, of which NABC will be allocated approximately 5%, are as follows:

Year Ending December 31:

2024	\$ 165,474
2025	<u>141,320</u>
Total undiscounted cash flows	306,794
Less: discount on lease obligation	<u>(4,005)</u>
Total operating lease obligation	302,789
Less: current portion of operating obligation	<u>(162,349)</u>
Operating lease obligation, less current portion	<u>\$ 140,440</u>

For the years ended December 31, 2023 and 2022, the Organization's long-term lease expense was \$152,163 and \$190,683, respectively. At December 31, 2023 and 2022, operating lease right-of-use asset was \$275,345 and \$405,191, respectively, and operating lease obligation was \$302,789 and \$440,915, respectively. Cash payments made on operating lease obligation totaled \$160,652 and \$155,972, respectively, for the years ended December 31, 2023 and 2022. The Organization elected to use the risk-free rate in determining operating lease obligation. The weighted average discount rate used to determine the operating lease obligation was 1.37%. The weighted average remaining lease term of long-term operating lease obligation is approximately 1.83 years and 3 years for the years ended December 31, 2023 and 2022, respectively.

U.S. Highbush Blueberry Council

Notes to Financial Statements
December 31, 2023 and 2022

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 2023 and 2022, 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, 2023 and 2022, was \$98,642 and \$78,657, respectively.

SUPPLEMENTARY INFORMATION

U.S. Highbush Blueberry Council

SCHEDULES OF REVENUE AND EXPENDITURES
ACTUAL COMPARED TO BUDGET
For the Years Ended December 31, 2023 and 2022

	2023		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Revenue:			
Domestic crop assessments	\$ 4,295,965	\$ 4,372,000	\$ (76,035)
Foreign crop assessments	5,990,700	5,900,000	90,700
Grant revenue	1,181,826	1,185,232	(3,406)
Contributions	2,204,632	2,252,000	(47,368)
Other revenue	182,820	125,000	57,820
Total revenue	13,855,943	13,834,232	21,711
Expenditures:			
Program expenditures:			
Market promotion and publicity	6,213,997	6,782,798	(568,801)
Export market promotion	2,561,664	2,649,451	(87,787)
Health research and nutrition	498,110	568,417	(70,307)
Industry relations	513,035	502,000	11,035
Data and measurement	756,919	777,570	(20,651)
Good practices	43,403	43,000	403
Blueberry technology	123,655	125,000	(1,345)
Total program expenditures	10,710,783	11,448,236	(737,453)
Other expenses:			
USHBC program fees	327,847	263,000	64,847
General expenses	511,437	468,660	42,777
Operating expenses	2,379,706	2,388,122	(8,416)
Travel and meeting expenses	1,017,442	1,051,000	(33,558)
Total other expenses	4,236,432	4,170,782	65,650
Total expenditures	14,947,215	15,619,018	(671,803)
Excess (deficit) of revenues over expenses	\$ (1,091,272)	\$ (1,784,786)	\$ 693,514

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, 2023 and 2022

	2022		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Revenue:			
Domestic crop assessments	\$ 4,935,666	\$ 4,750,000	\$ 185,666
Foreign crop assessments	6,891,808	6,000,000	891,808
Grant revenue	1,240,686	1,200,000	40,686
Contributions	2,837,842	2,540,000	297,842
Other revenue	45,110	25,000	20,110
Total revenue	15,951,112	14,515,000	1,436,112
Expenditures:			
Program expenditures:			
Market promotion and publicity	5,972,327	6,113,547	(141,220)
Export market promotion	3,254,436	3,402,400	(147,964)
Health research and nutrition	1,451,714	1,568,300	(116,586)
Industry relations	731,973	708,075	23,898
Data and measurement	727,844	850,000	(122,156)
Good practices	86,163	122,000	(35,837)
Blueberry technology	80,000	155,000	(75,000)
Total program expenditures	12,304,457	12,919,322	(614,865)
Other expenses:			
USHBC program fees	261,271	261,000	271
General expenses	383,682	396,700	(13,018)
Operating expenses	1,979,632	2,261,755	(282,123)
Travel and meeting expenses	907,543	610,000	297,543
Total other expenses	3,532,128	3,529,455	2,673
Total expenditures	15,836,585	16,448,777	(612,192)
Excess (deficit) of revenues over expenses	\$ 114,527	\$ (1,933,777)	\$ 2,048,304

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF PROGRAM EXPENDITURES
ACTUAL COMPARED TO BUDGET
For the Years Ended December 31, 2023 and 2022

	2023		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Market promotion and publicity:			
Domestic consumer publicity	\$ 2,844,330	\$ 2,768,500	\$ 75,830
Domestic health professional	657,431	694,000	(36,569)
Food service	662,186	791,500	(129,314)
Food manufacturing	314,596	307,000	7,596
American heart association certificate	3,500	3,500	-
Digital ecosystem	122,644	186,748	(64,104)
Retail effort	1,594,123	1,996,550	(402,427)
Unallocated market promotion	15,187	35,000	(19,813)
Total market promotion and publicity	6,213,997	6,782,798	(568,801)
Export market promotion:			
Global food manufacturing programs	97,470	100,000	(2,530)
Export consumer promotion	1,152,645	1,201,819	(49,174)
USDA grant program expenditures	1,181,826	1,185,232	(3,406)
Technical export assistance	102,323	110,000	(7,677)
Comprehensive blueberry MRL memo	-	10,500	(10,500)
MRL trade monitoring	27,400	16,900	10,500
Unallocated export market promotion	-	25,000	(25,000)
Total export market promotion	2,561,664	2,649,451	(87,787)
Health research and nutrition:			
Grant management program	5,437	5,500	(63)
Research programs	114,229	-	114,229
Blueberry research bank	137,504	138,261	(757)
Sponsorships	-	4,000	(4,000)
Blueberry researcher meeting	10,702	11,000	(298)
Research screeners and advisory	40,875	45,000	(4,125)
Pointer study rebate	20,000	30,000	(10,000)
Nourish study blueberries	3,422	16,000	(12,578)
Nutrition Projects	204,144	310,156	(106,012)
Unallocated health research	8,486	8,500	(14)
Total health research and nutrition	544,799	568,417	(23,618)

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, 2023 and 2022

	2023		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Industry relations:			
Industry communications	\$ 159,538	\$ 174,000	\$ (14,462)
Annual Report	11,638	-	11,638
Trade and industry publication	12,495	-	12,495
Election material prep and distribution	-	15,000	(15,000)
Association memberships	40,105	40,000	105
Industry leadership development	70,165	45,000	25,165
Assessment collection expenses	29,974	50,000	(20,026)
Association management systems	39,550	40,000	(450)
Vision and strategic planning	146,770	135,000	11,770
Industry relations unallocated	2,800	3,000	(200)
Total industry relations	513,035	502,000	11,035
Data and measurement:			
Data research and analysis	481,736	485,000	(3,264)
Data subscriptions	275,183	292,570	(17,387)
Total data and measurement	756,919	777,570	(20,651)
Good practices:			
Food safety and sustainability	9,990	8,000	1,990
Crisis management	33,413	35,000	(1,587)
Total food safety	43,403	43,000	403
Blueberry technology:			
Technology programs	123,655	125,000	(1,345)
Total blueberry technology	123,655	125,000	(1,345)
Total program expenditures	\$ 10,757,472	\$ 11,448,236	\$ (690,764)

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, 2023 and 2022

	2022		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Market promotion and publicity:			
Domestic consumer publicity	\$ 2,454,420	\$ 2,409,897	\$ 44,523
Domestic health professional	650,371	694,600	(44,229)
Food service	808,415	811,000	(2,585)
American heart association certificate	3,500	3,500	-
Digital ecosystem	157,397	168,240	(10,843)
Retail	1,898,224	1,976,310	(78,086)
Unallocated market promotion	-	50,000	(50,000)
Total market promotion and publicity	5,972,327	6,113,547	(141,220)
Export market promotion:			
Global food manufacturing programs	1,130,190	1,200,000	(69,810)
Export consumer promotion	758,041	840,000	(81,959)
USDA grant program expenditures	1,240,686	1,200,000	40,686
Technical export assistance	106,569	110,000	(3,431)
Comprehensive blueberry MRL memo	-	10,500	(10,500)
MRL trade monitoring	18,950	16,900	2,050
Unallocated export market promotion	-	25,000	(25,000)
Total export market promotion	3,254,436	3,402,400	(147,964)
Health Research and nutrition:			
Grant management program	5,437	5,300	137
Research programs	974,790	995,000	(20,210)
Blueberry research bank	69,891	70,000	(109)
Researcher travel	9,629	10,000	(371)
Sponsorships	-	4,000	(4,000)
Blueberry researcher meeting	21,242	36,000	(14,758)
Research screeners and advisory	32,133	32,000	133
Pointer study rebate	22,923	20,000	2,923
Nourish study blueberries	1,239	16,000	(14,761)
Nutrition projects	314,430	330,000	(15,570)
Unallocated health research	-	50,000	(50,000)
Total health research	1,451,714	1,568,300	(116,586)

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, 2023 and 2022

	2022		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Industry relations:			
Industry communications	\$ 129,385	\$ 175,000	\$ (45,615)
Trade and industry publication	75,109	80,000	(4,891)
Election material prep and distribution	6,661	15,000	(8,339)
Association memberships	31,650	40,000	(8,350)
Industry outreach	110,391	90,000	20,391
Industry leadership development	107,756	80,000	27,756
Assessment collection expenses	17,618	50,000	(32,382)
Association management systems	53,405	38,075	15,330
Vision and strategic planning	185,213	115,000	70,213
Industry relations unallocated	14,785	25,000	(10,215)
Total industry relations	731,973	708,075	23,898
Data and measurement:			
Data research and analysis	432,539	300,000	132,539
Data subscriptions	295,305	500,000	(204,695)
Data unallocated	-	50,000	(50,000)
Total data and measurement	727,844	850,000	(122,156)
Good practices:			
Food safety and sustainability	52,247	62,000	(9,753)
Crisis management	33,916	60,000	(26,084)
Total food safety	86,163	122,000	(35,837)
Blueberry technology:			
Blueberry tech outreach	30,000	30,000	-
Technology programs	50,000	100,000	(50,000)
Blueberry technology unallocated	-	25,000	(25,000)
Total blueberry technology	80,000	155,000	(75,000)
Total program expenditures	\$ 12,304,457	\$ 12,919,322	\$ (614,865)

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, 2023 and 2022

	2023		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
USHBC program fees:			
USDA/AMS administration fee	\$ 207,847	\$ 142,000	\$ 65,847
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	120,000	120,000	-
Total USHBC program fees	327,847	263,000	64,847
General expenses:			
Office rent	152,163	161,000	(8,837)
Insurance and taxes	13,024	14,000	(976)
Subscriptions	168,486	132,460	36,026
Printing	13,273	17,000	(3,727)
Office expenses and supplies	46,267	30,000	16,267
Telephone and fax	10,622	11,000	(378)
Computer IT services	59,793	56,000	3,793
Equipment repairs and maintenance	106	100	6
Equipment rental	3,901	4,200	(299)
Postage and shipping	34,417	30,000	4,417
Offsite document storage	2,736	2,400	336
Bank charges	6,649	7,000	(351)
Unallocated general expenses	-	3,500	(3,500)
Total general expenses	511,437	468,660	42,777
Operating expenses:			
Salaries, payroll taxes, and insurances	1,922,247	1,957,114	(34,867)
Workers compensation	2,822	3,000	(178)
Recruitment services	36,059	38,110	(2,051)
Administrative support services	110,959	112,106	(1,147)
Bookkeeping service	38,884	34,020	4,864
Professional development	78,851	62,000	16,851
Retirement program administration	3,632	3,772	(140)
Audit fees	27,500	27,500	-
Legal counsel fees	64,551	55,000	9,551
Depreciation	719	500	219
Unallocated operating expenses	93,482	95,000	(1,518)
Total operating expenses	2,379,706	2,388,122	(8,416)
Travel and meeting expenses:			
Travel expenses	412,161	450,000	(37,839)
Meeting expenses	604,782	600,000	4,782
Unallocated travel and meetings	499	1,000	(501)
Total travel and meeting expenses	1,017,442	1,051,000	(33,558)
Total general and administrative expenditures	<u>\$ 4,236,432</u>	<u>\$ 4,170,782</u>	<u>\$ 65,650</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, 2023 and 2022

	2022		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
USHBC program fees:			
USDA/AMS administration fee	\$ 141,271	\$ 140,000	\$ 1,271
U.S. Office of General Counsel fee	-	1,000	(1,000)
NABC resources and service fee	120,000	120,000	-
Total USHBC program fees	261,271	261,000	271
General expenses:			
Office rent	190,683	150,000	40,683
Insurance and taxes	12,082	12,000	82
Subscriptions	22,165	12,000	10,165
Printing	14,574	30,000	(15,426)
Office expenses and supplies	45,226	55,500	(10,274)
Telephone and fax	9,161	12,000	(2,839)
Computer IT services	40,433	24,000	16,433
Equipment repairs and maintenance	1,446	10,000	(8,554)
Equipment rental	4,415	8,000	(3,585)
Postage and shipping	24,559	15,000	9,559
Auto allowance	10,800	10,800	-
Offsite document storage	2,459	2,400	59
Bank charges	4,626	5,000	(374)
Unallocated general expenses	1,053	50,000	(48,947)
Total general expenses	383,682	396,700	(13,018)
Operating expenses:			
Salaries, payroll taxes, and insurances	1,645,008	1,939,120	(294,112)
Workers compensation	5,743	7,735	(1,992)
Recruitment services	28,809	31,500	(2,691)
Administrative support services	33,772	14,000	19,772
Bookkeeping service	32,400	32,400	-
Professional development	37,462	35,000	2,462
Retirement program administration	2,359	2,000	359
Audit fees	25,000	24,000	1,000
Legal counsel fees	61,921	25,000	36,921
Depreciation	2,384	1,000	1,384
Unallocated operating expenses	104,774	150,000	(45,226)
Total operating expenses	1,979,632	2,261,755	(282,123)
Travel and meeting expenses:			
Travel expenses	369,193	245,000	124,193
Meeting expenses	538,350	315,000	223,350
Unallocated travel and meetings	-	50,000	(50,000)
Total travel and meeting expenses	907,543	610,000	297,543
Total general and administrative expenditures	\$ 3,532,128	\$ 3,529,455	\$ 2,673

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS
For the Years Ended December 31, 2023 and 2022

	2023	2022
Receipts:		
Domestic crop assessments	\$ 5,111,918	\$ 3,885,443
Foreign crop assessments	6,027,873	6,840,115
Grant revenue	1,963,588	377,720
Contributions	2,726,978	1,122,474
Other revenue	182,820	45,110
Total receipts	16,013,177	12,270,862
Disbursements:		
Market promotion and publicity	5,957,029	6,153,440
Export market promotion	3,430,125	2,101,134
Research	1,825,166	794,869
Industry relations	492,656	817,247
Data and measurement	745,327	724,673
Food safety	46,734	82,832
Blueberry technology	123,655	82,279
USHBC program fees	290,140	267,853
General expenses	400,313	426,634
Operating expenses	1,862,650	2,264,853
Travel and meeting expenses	796,376	974,922
Total disbursements	15,970,171	14,690,736
Excess (deficit) of receipts over disbursements	43,006	(2,419,874)
Cash, beginning of year	8,828,766	11,248,640
Cash, end of year	\$ 8,871,772	\$ 8,828,766

See independent auditor's report.

U.S. Highbush Blueberry Council

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Federal Grantor Program Title	Federal Assistance Listing Number	Program Expenditures
<u>Direct programs:</u>		
U.S. Department of Agriculture:		
Market Access Program	10.601	\$ 629,403
Technical Assistance for Specialty Crops Program	10.604	
Establish Residue Decline Curves for Select Pesticides		37,327
Develop Postharvest Treatment of Blueberries for Pest Control for Export		274,447
Conduct Temporary Surveillance of Light Brown Apple Moth in the State of Oregon to Maintain Market Access for Fresh Highbush Blueberries to South Korea		95,994
Subtotal		407,768
Quality Samples Program	10.605	144,655
Total expenditures of Federal Awards		\$ 1,181,826

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, 2023

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 the 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, 2023, 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 May 10, 2024.

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 opinions 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider the deficiency to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings, and questioned costs, as item 2023-001 that we consider to be a significant deficiency.

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* and which are described in the accompanying schedule of findings and questioned costs as items

U.S. Highbush Blueberry Council's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the U.S. Highbush Blueberry Council's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. U.S. Highbush Blueberry Council's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response

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.

Brogg Christensen Caniglia LLP

May 10, 2024
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, 2023. 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, 2023.

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 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 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, as defined above. However, material weaknesses or significant deficiencies 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.

Bragg Christensen Caniglia LLP

May 10, 2024
Roseville, California

U.S. Highbush Blueberry Council

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

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? Yes

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>
10.601	Market Access Program

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.

U.S. Highbush Blueberry Council

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding: 2023-001
Finding Type: Significant deficiency in internal control

Statement of Condition

During our testing, we noted accounting discrepancies, indicating deficiencies in cutoff procedures.

Criteria

The Organization is responsible for implementing proper cutoff procedures to ensure transactions are recorded in the correct period.

Effect or Potential Effect

Deficiencies in cutoff procedures may lead to potential misstatements in the financial statements.

Cause

Typically, the external accountant collaborates with either the grant manager or the CFO at year-end to perform procedures to reconcile the Organization's internally prepared schedules and the balances recorded in QuickBooks. However, during a period of transition in these roles, there was a breakdown in communication and coordination between the accountant and USHBC causing accounting discrepancies and a lack of oversight.

Recommendation

We recommend that the Organization implement a system to enhance the communication and coordination to reconcile the Organization's internally prepared schedules and the balances recorded in QuickBooks. This system should include the tracking and reconciliation of expenses incurred, payable and receivable amounts, and submitted claims associated with each grant. This system will reinforce existing controls and processes to ensure accuracy, completeness, and timeliness in recording transactions.

The implementation of more robust cutoff procedures will be a crucial component of this system, involving the establishment of clear guidelines and controls for recording transactions in the correct accounting period. Additionally, management should ensure that oversight and review processes are effectively put in place to monitor adherence to cutoff procedures and promptly address any discrepancies that may arise.

We further recommend that the Organization regularly review and update its cutoff procedures to adapt to changes in business operations, especially during periods of staff transition. This proactive approach will help maintain the integrity and effectiveness of the financial reporting process.

U.S. Highbush Blueberry Council

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

II. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

CORRECTIVE ACTION PLAN

Name of auditee: U.S. Highbush Blueberry Council
Name of audit firm: Propp Christensen Caniglia LLP
Period covered by the audit: January 1, 2023 through December 31, 2023

CAP prepared by:

Name: Kasey Cronquist
Position: President
Telephone: (916) 333-7863

Finding 2023-001

Comments: Management agrees with the finding.

Actions: Management will implement a system to enhance the tracking and reconciliation of expenses incurred, payable and receivable amounts, and submitted claims associated with each grant. This system will strengthen controls and processes to ensure accuracy, completeness, and timeliness in recording transactions.

Anticipated completion date: During the fiscal year ending December 31, 2024.

U.S. Highbush Blueberry Council

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

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.