

**National Potato Promotion Board  
d/b/a Potatoes USA**

**Financial Statements and Required  
Supplementary Information**

**June 30, 2020**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

*Certified Public Accountants*

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**National Potato Promotion Board d/b/a Potatoes USA**  
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## **Independent Auditor's Report**

### **Board of Directors National Potato Promotion Board d/b/a Potatoes USA**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the National Potato Promotion Board, d/b/a Potatoes USA, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Potatoes USA's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the National Potato Promotion Board d/b/a Potatoes USA as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors  
National Potato Promotion Board  
d/b/a Potatoes USA**

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7 and the General Fund budgetary comparison on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Potatoes USA's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of Potatoes USA'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 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 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 Potatoes USA's internal control over financial reporting and compliance.

*Kumdinges, Cordia & Congle, P.C.*

January 14, 2021

# National Potato Promotion Board d/b/a Potatoes USA

## Management's Discussion and Analysis

June 30, 2020

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### Management's Discussion and Analysis

Management's discussion and analysis of National Potato Promotion Board's (Potatoes USA) financial performance provides an overview of Potatoes USA's financial activities for the year ended June 30, 2020. This annual report consists of a series of financial statements. The Statement of Net Position (on page 8) and the Statement of Activities (on page 9) provide information about the activities of Potatoes USA as a whole and present a longer-term view of Potatoes USA's finances. For governmental activities, these statements explain how these services were financed in the short term, as well as what remains for future spending. We encourage readers to consider the information presented here in conjunction with Potatoes USA's basic financial statements and notes to the financial statements to enhance their understanding of the activities and financial health of Potatoes USA.

Potatoes USA receives assessments from potato growers and funding from the Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA) for the purpose of carrying out an effective and continuous program of marketing, research, development, advertising, and promotion to help expand existing domestic and foreign potato markets as well as to develop new or improved markets.

### Financial Highlights

- Potatoes USA's assets exceeded its liabilities by a net position of \$11,031,772 as of June 30, 2020, reflecting a decrease in net position of (\$595,856) since June 30, 2019.
- Potatoes USA's general fund ending fund balance totaled \$10,879,237 at June 30, 2020. This ending fund balance includes \$2,866,000 in funds assigned for specific purposes by the Board of Directors, \$185,771 in non-spendable funds, and \$7,827,466 in unassigned funds.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Potatoes USA's basic financial statements. Potatoes USA's basic financial statements consist of the following two components:

- Government-wide and Governmental Fund Financial Statements
- Notes to the Financial Statements

Because Potatoes USA is a special-purpose government engaged in a single governmental program, it has presented government-wide financial and fund financial statements together with an adjustment column to show the reconciliation between the two required basic statements.

#### Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of Potatoes USA's finances using the accrual basis of accounting. The government-wide financial statements report information on all of the activities of Potatoes USA.

The Statement of Net Position presents information on all of Potatoes USA's assets and liabilities. The difference between assets and liabilities is reported as net position.

# National Potato Promotion Board d/b/a Potatoes USA

## Management's Discussion and Analysis

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### Overview of Financial Statements, Continued

The Statement of Activities presents information reflecting how Potatoes USA's net position has changed during the current fiscal year. All changes in net position are reported as soon as the underlying activity occurs. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

#### Fund Financial Statements

Potatoes USA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Traditional users of Potatoes USA's financial statements will find the fund financial statement presentation more familiar with a focus on major funds rather than fund types. All funds of Potatoes USA can be categorized as governmental funds as more fully discussed below.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should generally meet both of the following criteria: 1) total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total (assets, liabilities or expenditures/expenses) for all funds of that category or fund type (i.e. total governmental or total enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined. The general fund is always considered a major fund.

#### Governmental Funds

Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. The fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term obligations and similar long-term items which are recorded when due. The focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, the MAP Fund, and the ATP Fund. These three funds are considered to be major funds.

Potatoes USA adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison schedule has been provided for Potatoes USA's major funds (General Fund, MAP Fund, and ATP Fund) to demonstrate compliance with their budgets.

#### Notes to the Financial Statements

The notes to the basic financial statements are considered an integral part of the financial statements since they provide additional information needed to gain a full understanding of the data provided in both the government-wide and governmental fund financial statements.

In fiscal year 2020, Potatoes USA's main sources of revenue were assessments and FAS foreign market development funding, as described above.

Administrative costs are not required to be capped. However, Potatoes USA makes every effort to keep these costs down. Administrative costs include Potatoes USA's cost to conduct program activities both domestically and internationally and to operate its administrative office.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Management's Discussion and Analysis**

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**Government-wide Financial Analysis**

The following table reflects the condensed statements of net position as of June 30:

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,790,344	1,752,246
Investments	6,171,301	8,017,019
Assessments receivable	1,721,099	2,028,665
Claims receivable	3,916,979	2,899,787
Other receivables	63,651	116,237
Prepaid items	185,771	189,899
Capital assets, net	<u>152,535</u>	<u>150,294</u>
Total assets	<u>\$ 14,001,680</u>	<u>15,154,147</u>
<b>Liabilities</b>		
Accounts payable	\$ 2,512,084	2,736,723
Accrued expenses	397,041	701,737
Deferred rent	60,783	75,169
Capital lease obligations	<u>—</u>	<u>12,890</u>
Total liabilities	<u>2,969,908</u>	<u>3,526,519</u>
<b>Net position</b>		
Net investment in capital assets	152,535	137,404
Restricted	—	1,290,823
Unrestricted	<u>10,879,237</u>	<u>10,199,401</u>
Net position	<u>\$ 11,031,772</u>	<u>11,627,628</u>

The following table reflects the condensed statements of activities for the years ended June 30:

	<u>2020</u>	<u>2019</u>
<b>Revenue</b>		
Assessments	\$ 14,514,760	14,807,274
Contributions	435,960	418,374
Grants	5,679,249	4,799,582
Other revenue	<u>148,030</u>	<u>187,016</u>
Total revenue	<u>20,777,999</u>	<u>20,212,246</u>
<b>Expenditures</b>		
Program	18,508,297	17,458,714
Operating	<u>2,865,558</u>	<u>2,341,602</u>
Total expenditures	<u>21,373,855</u>	<u>19,800,316</u>
Change in net position	<u>\$ (595,856)</u>	<u>411,930</u>

**National Potato Promotion Board d/b/a Potatoes USA**  
**Management's Discussion and Analysis**

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**Revenue**

General Fund

Potatoes USA collects assessments of \$0.03 per hundred-weight of potatoes grown in the United States for human consumption. It also receives assessments based on the fresh weight equivalent of potatoes and potato products imported from foreign countries. Interest income is earned on Potatoes USA's reserve which is invested in money market funds, U.S. treasury notes, and certificates of deposit.

The following table highlights the General Fund's revenue for the years ended:

	<u>2020</u>	<u>2019</u>
Assessments	\$ 14,514,760	14,807,274
Contributions	435,960	418,374
Investment return	115,000	154,590
Other revenue	<u>33,030</u>	<u>32,426</u>
Total revenue	\$ <u>15,098,750</u>	<u>15,412,664</u>

- Potatoes USA recorded total assessments revenue of \$14,514,760 during the year ended June 30, 2020. This is a decrease of (\$292,514) from the year ended June 30, 2019 as a result of the uncertainties around COVID.
- Potatoes USA receives contributions from major fry processors, chip processors and state potato organizations for its National Fry Processor Trials (NFPT) and National Chip Processor Trials (NCPT) programs. These programs seek to identify new potato varieties that will lower acrylamide levels. Contributions recognized during the year ended June 30, 2020 total \$435,960 which is similar to 2019's contributions. Unspent amounts remaining at June 30, 2020 are reflected in the unassigned balance.
- Investment return is generated from Potatoes USA's investments. Potatoes USA earned \$115,000 in the year ended June 30, 2020. This is a decrease of (\$39,590) from the year ended June 30, 2019 due to reduced investment in CDs and U.S. treasuries, and fluctuations in the market.

MAP Fund

Potatoes USA receives funding from the Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA) under the Market Access Program (MAP). This program provides commodity groups with funds to be used to develop foreign markets for U.S. agricultural products. Funds received are based upon the submission of an application to FAS known as the Unified Export Strategy (UES). The MAP fund was awarded \$4,997,912 for the year ended June 30, 2020 of which \$4,392,274 was expended. While the award amount varies year to year, it remains similar year over year.

ATP Fund

Potatoes USA receives funding from the Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA) under the Agricultural Trade Promotion Program (ATP). This is a temporary program that provides commodity groups with funds to be used to market and promote U.S. agricultural products in foreign markets, including activities to address existing or potential non-tariff trade barriers. Funds received are based upon the submission of a one-time application to FAS. The ATP fund was awarded \$5,130,000 for the year ended June 30, 2020 of which \$1,161,886 was expended. This is a new award for the year ended June 30, 2020 and Potatoes USA has through fiscal year 2022 to use the full award.

# National Potato Promotion Board d/b/a Potatoes USA

## Management's Discussion and Analysis

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### Other Grant Funds

Funding is received from FAS under the Emerging Markets Program (EMP), which is designed to facilitate basic market development work for US agricultural exports in less developed emerging markets. Funds are received for Quality Samples Program (QSP), which is designed to pay for commercially viable samples of U.S. agricultural products to be tested by end users in foreign countries. Grants funded by USDA are paid on a reimbursement basis.

### **Expenditures**

Potatoes USA's program expenditures increased by \$1,049,583 to \$18,508,297 due to a new federal grant award. Operating expenditures increased by \$523,956 to \$2,865,558 due to an increase in personnel costs and moving board committee travel expense from program to operating.

### **Capital Assets**

During the year ended June 30, 2020, Potatoes USA acquired \$65,966 of office furniture and equipment and disposed of obsolete office furniture and equipment totaling \$342,438, bringing its capital asset balance to \$152,535, net of accumulated depreciation of \$234,231. Depreciation expense in 2020 of \$66,131 decreased from 2019 depreciation of \$104,842, due to the full depreciation of some assets.

### **General Fund Budgetary Highlights**

The most significant budgeted fund is the General Fund.

	<u>Final Budget</u>	<u>Actual</u>
Beginning fund balance	\$ 11,490,224	11,490,224
Revenue	15,161,000	15,098,750
Expenditures	(16,962,160)	(15,709,737)
Ending fund balance	\$ <u>9,689,064</u>	<u>10,879,237</u>

Actual revenue was under budgetary expectations due to uncertainties around COVID and thus fewer assessments were received. Expenditures were under budget in several areas, due largely to COVID uncertainties resulting in decreased spending from March through June 2020, particularly in travel. The largest variance was in the marketing budget, which is due to budgeting aggressively for several programs, which were not all completed during the fiscal year. The research and analysis budget included spending for a maximum number of samples going through the tier program; however, spending was more in line with the prior year as not all the samples made it through the program. The special projects budget included domestic marketing for events that were cancelled due to COVID, resulting in lower actual expenditures than budgeted.

The 2020 General Fund budget was amended during the year to include special projects and to ensure the budget categories aligned closely with actual expenditures as required by USDA.

### **Requests for Information**

Potatoes USA's financial statements are designed to present users with a general overview of Potatoes USA's finances and to demonstrate Potatoes USA's accountability. If there are any questions about the report or additional information is needed, please contact Potatoes USA, 4949 S. Syracuse Street, Suite 400, Denver, Colorado 80237.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**June 30, 2020**

	General fund	MAP fund	ATP fund	Nonmajor– other grants fund	Total	Adjustments	Statement of net position
<b>Assets</b>							
Cash and cash equivalents (note 2)	\$ 1,454,280	281,603	54,461	–	1,790,344	–	1,790,344
Investments (note 2)	6,171,301	–	–	–	6,171,301	–	6,171,301
Assessments receivable	1,721,099	–	–	–	1,721,099	–	1,721,099
Claims receivable	–	2,828,344	1,034,562	54,073	3,916,979	–	3,916,979
Other receivables	63,651	–	–	–	63,651	–	63,651
Interfund balances (note 3)	2,776,595	–	73,265	–	2,849,860	(2,849,860)	–
Prepaid expenses	185,771	–	–	–	185,771	–	185,771
Capital assets (notes 4 and 7)							
Office furniture	–	–	–	–	–	99,303	99,303
Office equipment	–	–	–	–	–	115,330	115,330
Vehicles	–	–	–	–	–	172,133	172,133
Less accumulated depreciation	–	–	–	–	–	(234,231)	(234,231)
Capital assets, net	–	–	–	–	–	152,535	152,535
<b>Total assets</b>	<b>\$ 12,372,697</b>	<b>3,109,947</b>	<b>1,162,288</b>	<b>54,073</b>	<b>16,699,005</b>	<b>(2,697,325)</b>	<b>14,001,680</b>
<b>Liabilities</b>							
Accounts payable	\$ 1,035,636	1,273,708	202,740	–	2,512,084	–	2,512,084
Accrued expenses	397,041	–	–	–	397,041	–	397,041
Interfund balances (note 3)	–	1,836,239	959,548	54,073	2,849,860	(2,849,860)	–
Deferred rent	60,783	–	–	–	60,783	–	60,783
<b>Total liabilities</b>	<b>1,493,460</b>	<b>3,109,947</b>	<b>1,162,288</b>	<b>54,073</b>	<b>5,819,768</b>	<b>(2,849,860)</b>	<b>2,969,908</b>
<b>Fund Balances/Net Position</b>							
Fund balances (note 5)							
Non-spendable	185,771	–	–	–	185,771	(185,771)	–
Assigned	2,866,000	–	–	–	2,866,000	(2,866,000)	–
Unassigned	7,827,466	–	–	–	7,827,466	(7,827,466)	–
<b>Total fund balances</b>	<b>10,879,237</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,879,237</b>	<b>(10,879,237)</b>	<b>–</b>
Commitments and contingencies (notes 6 through 10)							
<b>Total liabilities and fund balances</b>	<b>\$ 12,372,697</b>	<b>3,109,947</b>	<b>1,162,288</b>	<b>54,073</b>	<b>16,699,005</b>		
<b>Net Position</b>							
Net investment in capital assets						152,535	152,535
Unrestricted						10,879,237	10,879,237
<b>Total net position</b>						<b>11,031,772</b>	<b>11,031,772</b>

See the accompanying notes to the financial statements.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Statement of Activities and Governmental Fund Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2020**

	General fund	MAP fund	ATP fund	Nonmajor - other grants fund	Total	Adjust- ments	Statement of net activities
<b>Revenue</b>							
Assessments	\$ 14,514,760	-	-	-	14,514,760	-	14,514,760
Contributions	435,960	-	-	-	435,960	-	435,960
Grants	-	4,392,274	1,161,886	125,089	5,679,249	-	5,679,249
Other revenue	148,030	-	-	-	148,030	-	148,030
<b>Total revenue</b>	<u>15,098,750</u>	<u>4,392,274</u>	<u>1,161,886</u>	<u>125,089</u>	<u>20,777,999</u>	<u>-</u>	<u>20,777,999</u>
<b>Expenditures</b>							
Program	12,829,048	4,392,274	1,161,886	125,089	18,508,297	-	18,508,297
Personnel costs	1,680,080	-	-	-	1,680,080	-	1,680,080
Administrative committee travel	131,608	-	-	-	131,608	-	131,608
Executive committee travel	190,062	-	-	-	190,062	-	190,062
Staff and field operations travel	33,574	-	-	-	33,574	-	33,574
Professional services	185,919	-	-	-	185,919	-	185,919
Office	397,750	-	-	-	397,750	-	397,750
USDA user fees	180,434	-	-	-	180,434	-	180,434
Depreciation	-	-	-	-	-	66,131	66,131
<b>Total current expenditures</b>	<u>15,628,475</u>	<u>4,392,274</u>	<u>1,161,886</u>	<u>125,089</u>	<u>21,307,724</u>	<u>66,131</u>	<u>21,373,855</u>
Capital outlay	81,262	-	-	-	81,262	(81,262)	-
<b>Total capital outlay</b>	<u>81,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,262</u>	<u>(81,262)</u>	<u>-</u>
<b>Total expenditures</b>	<u>15,709,737</u>	<u>4,392,274</u>	<u>1,161,886</u>	<u>125,089</u>	<u>21,388,986</u>	<u>(15,131)</u>	<u>21,373,855</u>
<b>Excess of (deficiency in) revenue over expenditures</b>	<u>(610,987)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(610,987)</u>	<u>15,131</u>	<u>(595,856)</u>
<b>Fund balances at beginning of year</b>	<u>11,490,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,490,224</u>	<u>137,404</u>	<u>11,627,628</u>
<b>Fund balances at end of year</b>	<u>\$ 10,879,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,879,237</u>	<u>152,535</u>	<u>11,031,772</u>

See the accompanying notes to the financial statements.

# National Potato Promotion Board d/b/a Potatoes USA

## Notes to Financial Statements

June 30, 2020

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### (1) Summary of Significant Accounting Policies

#### (a) Organization

The National Potato Promotion Board d/b/a Potatoes USA, an instrumentality of the United States Department of Agriculture (USDA), was established by an act of Congress on January 11, 1971, to carry out an effective and continuous program of marketing, research, development, advertising, and promotion to help expand existing domestic and foreign potato markets and to develop new or improved markets.

Potatoes USA follows the Government Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of voting majority of the organization's governing body, ability to impose its will on the organization, potential for organization to provide specific financial benefits or burdens and fiscal dependency. Potatoes USA does not have any component units.

Potatoes USA is governed by the Agricultural Marketing Service (AMS) of the USDA. In January 2020, AMS issued *Guidelines for AMS Oversight of Commodity Research and Promotion Programs*, which is applicable to all research and promotion boards governed by AMS under the Specialty Crops program. These financial statements are prepared in accordance with those guidelines.

#### (b) Basis of Accounting and Financial Statement Presentation

##### *Government-Wide Statements*

Because Potatoes USA is a special-purpose government with a single governmental program, it has presented its government-wide financial statements and fund financial statements together with an adjustment column to show the reconciliation between the two required basic statements.

The government-wide financial statements – the Statement of Net Position and the Statement of Activities – report information on all of the activities of Potatoes USA. Interfund activity, if any, has been removed from these statements.

The government-wide financial statements are designed to distinguish functions of Potatoes USA that are principally supported by assessment revenues and operating grants (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Potatoes USA has no business-type activities.

The primary governmental activities of Potatoes USA include the distribution of funds to promote and develop existing and new potato markets.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Notes to Financial Statements**

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**(1) Summary of Significant Accounting Policies, Continued**

**(b) Basis of Accounting and Financial Statement Presentation, Continued**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenue includes grants, assessments and other revenues. Other revenue not directly related to a particular function or program, if any, are reported separately as general revenue.

Since Potatoes USA does not operate any enterprise fund or internal service fund activities, there are no proprietary funds to include in this report.

Potatoes USA utilizes two types of governmental funds. The General Fund is Potatoes USA's main operating fund. It accounts for all financial resources of Potatoes USA except for those required to be accounted for in another fund. Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes. Potatoes USA's Special Revenue Funds include the Market Access Program (MAP) Fund, Agricultural Trade Promotion Program (ATP) Fund, and the Other Grants Fund. These funds account for grant funding received from the Foreign Agricultural Service.

The General, MAP, and ATP Funds are considered to be major governmental funds and are reported as separate columns in the fund financial statements.

*Measurement focus*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as expenditures when all of the eligibility and reimbursement requirements of the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the government considers revenue to be available if it is collected within 120 days of year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Under the modified accrual basis of accounting, as used in the governmental fund financial statements, acquisition costs of capital assets are recorded as expenditures at the time of purchase and depreciation is not recognized on these capital assets.

**(c) Cash and Cash Equivalents**

Cash and cash equivalents may consist of cash on hand, demand deposits, and savings accounts with an original maturity of three months or less. Certificates of deposit are always reported as investments regardless of their maturity dates.

# National Potato Promotion Board d/b/a Potatoes USA

## Notes to Financial Statements

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### (1) Summary of Significant Accounting Policies, Continued

#### (d) Concentrations of Credit Risk

Financial instruments which potentially subject Potatoes USA to concentrations of credit risk consist principally of cash and cash equivalents and investments. Potatoes USA's bank accounts at year-end were entirely covered by federal depository insurance or collateral held by Potatoes USA's custodial banks under provisions of the Colorado Public Deposit Protection Act (PDPA).

PDPA requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

State statutes authorize Potatoes USA to invest in obligations of the U.S. treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements and money market funds.

Potatoes USA is also required to follow the AMS investment policy, which defines the types of investments Potatoes USA can purchase and the collateral requirements for Potatoes USA's cash and investments. Potatoes USA utilizes Zions National Bank as its investment custodian.

Board policy requires that there always be funds on hand sufficient to liquidate all of the outstanding obligations of Potatoes USA as of June 30 of each year after considering anticipated accounts receivable due to Potatoes USA. At June 30, 2020, Potatoes USA was in compliance with this requirement.

#### (e) Investments

Investments consist of money market accounts and certificates of deposit and are carried at fair value in the governmental funds balance sheet and statement of net position.

#### (f) Fair Value Measurements

Potatoes USA uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value of investments into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1), inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2), and unobservable inputs for the asset or liability (Level 3). All of Potatoes USA's investments are considered to be Level 1 investments.

#### (g) Interfund Transactions

Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund or recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund that is reimbursed. At year-end, outstanding balances between funds are reported as due from other funds and due to other funds.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Notes to Financial Statements**

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**(1) Summary of Significant Accounting Policies, Continued**

**(h) Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**(i) Capital Assets**

Potatoes USA capitalizes property and equipment with an initial cost, or fair value if donated, over \$500 and an estimated useful life of more than one year. Assets purchased for ownership by the government, the use of which benefits Potatoes USA, are not capitalized. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years.

**(j) Deferred Rent**

Deferred rent represents the unamortized portion of lessor incentives (free rent and escalating rental payments) received in conjunction with Potatoes USA's office lease. Potatoes USA amortizes deferred rent over the life of the lease.

**(k) Budgets**

Potatoes USA's budget is required to be approved by the USDA. No amendments are required provided the total amount appropriated remains the same. The budget is on a basis inconsistent with U.S. GAAP as capital outlays are not budgeted.

**(l) Assessments Revenue and Receivable**

Potatoes USA collects assessments of \$0.03 per hundred-weight of potatoes grown in the United States for human consumption. It also receives assessments based on the fresh weight equivalent of potatoes and potato products imported from foreign countries. Assessments are collected directly by Potatoes USA and assessment revenues are recognized when received. At year-end, an accrual is made for assessments received up to 120 days after year-end related to the current fiscal year.

**(m) Grant Revenue**

Potatoes USA receives federal funding from the Foreign Agriculture Services of the USDA on a reimbursement basis, thus revenue is recognized as funds are expended throughout the year. At year-end, an accrual is made for expenditures made up to 120 days after year-end related to activity that occurred during the fiscal year.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Notes to Financial Statements**

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**(1) Summary of Significant Accounting Policies, Continued**

**(n) Program Expenses**

Program expenses include payments to subcontractors in conjunction with Potatoes USA's marketing, research, development, advertising and promotion activities. Additionally, a portion of Potatoes USA's expenses for salaries and wages, payroll taxes, employee benefits, and office expenses are recorded as program expenses. Program costs are generally expensed when paid, and at year-end, expenses are accrued for significant obligations incurred by Potatoes USA that relate to the current fiscal year's operating budget.

**(o) Estimates**

The preparation 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(p) Income Taxes**

Potatoes USA is classified as an instrumentality of the United States Government by the Internal Revenue Service under Internal Revenue Code Section 115(a). Therefore, Potatoes USA is not subject to income taxation. Accordingly, no provision for income taxes is reflected in these financial statements. Potatoes USA is also exempt from all state and local sales taxes except for sales in excise taxes on utilities, travel and product sales to third parties.

**(q) Subsequent Events**

Potatoes USA has evaluated subsequent events through January 14, 2021, the date the financial statements were available to be issued.

**(2) Cash and Cash Equivalents and Investments**

At June 30, 2020, the carrying value of Potatoes USA's cash and investments are reflected in the financial statements as follows:

Cash and cash equivalents	\$ 1,790,344
Investments	<u>6,171,301</u>
Total cash and investments	<u>\$ 7,961,645</u>

At June 30, 2020, Potatoes USA's bank balances and investments consist of the following:

FDIC insured bank deposits	\$ 250,000
Collateralized bank deposits	1,540,344
Money market fund	2,299,401
FDIC insured short-term CDs	1,770,370
FDIC insured long-term CDs*	<u>2,101,530</u>
Total cash and investments	<u>\$ 7,961,645</u>

**National Potato Promotion Board d/b/a Potatoes USA**  
**Notes to Financial Statements**

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**(2) Cash and Cash Equivalents and Investments, Continued**

\*On September 14, 2017, AMS granted Potatoes USA an exception to the current investment policy permitting Potatoes USA to extend investment maturities past the one-year limit to a maximum of five years. These long-term investments still adhere to insurance limits and risk-adverse requirements as stated in the AMS Investment policy.

At June 30, 2020, short-term investments are invested in a money market fund that bears an interest rate of 0.11% and certificates of deposits that bear interest rates ranging from 1.05% to 3.00%. At June 30, 2020, long-term investments are invested in certificates of deposit that bear interest rates ranging from 1.20% to 3.15%.

At June 30, 2020, Potatoes USA held \$2,299,401 in the Federal Government Obligations Money Market fund at Zions Bank. This investment cannot be categorized since it is not evidenced by specific securities. The investment is rated AAA by Standard and Poor's. Potatoes USA values this at net asset value, which at June 30, 2020 is \$2,299,401.

**(3) Interfund Transactions**

Potatoes USA reports interfund balances between its funds. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the Statement of Net Position for the governmental funds. The purpose of the interfund balances is to cover cash flow needs until a grant reimbursement is received for expenditures incurred. Interfund balances are generally expected to be repaid within one year of the financial statement date. At June 30, 2020, the following balances were due between funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	MAP Fund	\$ 1,817,047
General Fund	ATP Fund	959,548
ATP Fund	MAP Fund	<u>73,265</u>
		<u>\$ 2,849,860</u>

**(4) Capital Assets**

Capital assets activity during the year ended June 30, 2020 included the following:

	<u>July 1,</u> <u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30,</u> <u>2020</u>
Office furniture	\$ 128,041	9,528	(38,266)	99,303
Office equipment	363,064	56,438	(304,172)	115,330
Vehicles	<u>172,133</u>	<u>—</u>	<u>—</u>	<u>172,133</u>
Total capital assets	663,238	65,966	(342,438)	386,766
Less accumulated depreciation	<u>(512,944)</u>	<u>(66,131)</u>	<u>344,844</u>	<u>(234,231)</u>
Capital assets, net	<u>\$ 150,294</u>	<u>(165)</u>	<u>2,406</u>	<u>152,535</u>

**National Potato Promotion Board d/b/a Potatoes USA**  
**Notes to Financial Statements**

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**(5) Fund Balances**

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by law or outside parties for use for specific purposes.

Restrictions for Potatoes USA are recorded up to the maximum equity available in the fund balance and consist of:

*Non-spendable fund balance*

These funds cannot be spent because they are either not in spendable form (such as prepaid items) or legally or contractually required to be maintained intact. Potatoes USA's non-spendable fund balance at June 30, 2020 is \$185,771 and consists of prepaid insurance, advance payments to vendors, and a lease deposit.

*Committed fund balance*

These are funds that are constrained for specific purposes according to limitations imposed by the Board of Directors prior to the end of the fiscal year. Committed funds may be removed or changed only through formal action of the Board of Directors. Potatoes USA has no committed fund balance as of June 30, 2020.

*Assigned fund balance*

Assigned fund balances are amounts Potatoes USA intends to use for specific purposes. Intent can be expressed by the Board of Directors or by an official to which Potatoes USA delegates authority. Assigned funds are considered to be spent first followed by unassigned for an expenditure for which any could be used.

The Board of Directors has established a cash reserve of \$500,000 to satisfy the requirements of a USDA mandate and has allocated an additional \$1,500,000 for a total cash reserve of \$2,000,000. These funds are designated to wind down the business of Potatoes USA if it were to ever go out of existence. There is an assigned \$250,000 held in escrow for NCPT/NFPT research purposes. During 2020, Potatoes USA assigned \$616,000 in shut-down reserves for the NCPT and NFPT program.

*Unassigned fund balance*

All funds that do not meet any of the criteria above are considered unassigned. Potatoes USA will only report a positive unassigned fund balance in the General Fund.

Potatoes USA, at a governmental-wide financial statement level, spends any restricted funds first followed by assigned and unassigned for an expenditure for which any could be used. There are no restricted funds as of June 30, 2020.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Notes to Financial Statements**

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**(6) Operating Leases**

Potatoes USA is obligated under various operating leases for equipment and office space that expire through 2023. Future minimum rental payments under these leases are as follows for the year ended June 30, 2020:

2021		\$ 201,281
2022		199,402
2023		<u>151,909</u>
Total future minimum rental payments		\$ <u>552,592</u>

Total lease expense for the year ended June 30, 2020 was \$215,282

**(7) Capital Lease Obligations**

Potatoes USA leases vehicles under various agreements that are classified as capital leases. The cost of these vehicles under capital leases totals \$172,133 at June 30, 2020 and were recorded as capital assets – vehicles. Amortization expense for the vehicles for the year ended June 30, 2020 totals \$37,317 and has been included in depreciation expense.

Changes in capital leases for the year ended June 30, 2020 are as follows:

	<u>Balance</u> <u>6/30/19</u>	<u>Additions</u>	<u>Principal</u> <u>payments</u>	<u>Balance</u> <u>6/30/20</u>
Capital Leases	\$ <u>12,890</u>	<u>—</u>	(12,890)	<u>—</u>

**(8) Retirement Plan**

Effective July 1, 1990, Potatoes USA established a defined contribution, profit sharing plan (the Plan) administered by The Standard. The Plan covers all employees and requires no minimum funding standards and can be amended by the Board of Directors. The employer contribution is currently 8% of employees' salaries. The Plan allows employees to contribute up to the maximum IRS limit. For the year ended June 30, 2020, Potatoes USA contributed \$246,442 to the Plan.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Notes to Financial Statements**

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**(9) Commitment and Contingencies**

Potatoes USA has contracted with independent representatives in Taiwan, Myanmar, Japan, South Korea, China, Malaysia, Mexico, Costa Rica, Vietnam, the Philippines, and Thailand to administer the programs funded by the Market Access Program of the USDA. Potatoes USA has contracted with independent representatives in Myanmar, Cambodia, Costa Rica, China, Indonesia, Japan, Malaysia, Mexico, the Philippines, Saudi Arabia, South Korea, Taiwan, Thailand, the United Arab Emirates, and Vietnam to administer the programs funded by the Agricultural Trade Promotion Program of the USDA. The contracts are for one year from July 1, 2019 to June 30, 2020. Contracts are negotiated annually and are expected to be renewed for the next fiscal year.

Should Potatoes USA not properly administer MAP or ATP funds pursuant to the MAP or ATP regulations as interpreted by the FAS, Potatoes USA's General Fund would be responsible to repay the U.S. government. Management believes the MAP and ATP Fund is being administered in accordance with MAP and ATP regulations and that any such liability is unlikely.

Potatoes USA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. Potatoes USA purchases commercial insurance for risks of loss in excess of deductible amounts. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**(10) Advances to Market Access and Agricultural Trade Promotion Program**

Potatoes USA is the cooperator, with assistance of the USDA Foreign Agricultural Service (FAS), in receiving and managing the MAP and ATP Funds. Potatoes USA is responsible for properly administering approximately \$4.9 million of the MAP fund and \$5.13 million of the ATP fund. MAP and ATP regulations require that, after the first 90 days, Potatoes USA must first disburse the funds under the program, then request reimbursement from the U.S. government. To meet these short-term cash needs, Potatoes USA has been authorized to borrow 40% from FAS with 90 days to offset the advance with claims on behalf of the MAP or ATP Fund. As of June 30, 2020, no amounts were due to FAS.

**(11) Reconciliation of Statement of Net Position and Governmental Funds Balance Sheet**

The Statement of Net Position and Governmental Funds Balance Sheet includes an adjustment between Fund Balance – Total Governmental Funds and Net Position for capital assets and leases. Capital assets and leases used in governmental activities are not financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

Fund balance of Governmental Funds	\$ 10,879,237
Capital assets used in governmental activities not reported in the Governmental Funds	<u>152,535</u>
Total net position	\$ <u>11,031,772</u>

# National Potato Promotion Board d/b/a Potatoes USA

## Notes to Financial Statements

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### (12) Reconciliation of Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances

The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances includes an adjustment between the change in fund balance of the governmental funds and the change in net position of the government-wide activities. The only elements to that adjustment pertain to capital outlay, depreciation, and capital leases.

When the purchase of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the year they are incurred. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense, and a gain or loss is recognized for the difference between the proceeds, if any, from the disposal of those assets and their net book value.

Year ended June 30, 2020:

Net change in fund balance – Governmental Funds	\$ (610,987)
Difference in depreciation and capital outlay	(165)
Loss on sale of capital assets	2,406
Principal portion of lease payments	<u>12,890</u>
Change in net position of Governmental Activities	\$ <u>(595,856)</u>

**National Potato Promotion Board d/b/a Potatoes USA**  
**General Fund**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	Original budget	Final budget	Actual	Variance from final
<b>Revenue</b>				
Assessments	\$ 14,600,000	14,600,000	14,514,760	(85,240)
Contributions	406,000	406,000	435,960	29,960
Other revenue	155,000	155,000	148,030	(6,970)
<b>Total revenue</b>	<u>15,161,000</u>	<u>15,161,000</u>	<u>15,098,750</u>	<u>(62,250)</u>
<b>Expenditures</b>				
Program	13,064,760	14,123,760	12,829,048	1,294,712
Personnel costs	1,700,000	1,700,000	1,680,080	19,920
Administrative committee travel	161,100	161,100	131,608	29,492
Executive committee travel	165,000	165,000	190,062	(25,062)
Staff and field operations travel	50,000	50,000	33,574	16,426
Professional services	179,500	179,500	185,919	(6,419)
Office	378,100	378,100	397,750	(19,650)
USDA user fees	202,000	202,000	180,434	21,566
Other	2,700	2,700	-	2,700
<b>Total current expenditures</b>	<u>15,903,160</u>	<u>16,962,160</u>	<u>15,628,475</u>	<u>1,333,685</u>
Capital outlay	<u>-</u>	<u>-</u>	81,262	(81,262)
<b>Total capital expenditures</b>	<u>-</u>	<u>-</u>	81,262	(81,262)
<b>Total expenditures</b>	<u>15,903,160</u>	<u>16,962,160</u>	<u>15,709,737</u>	<u>1,252,423</u>
<b>Deficiency in revenue over expenditures</b>	<u>\$ (742,160)</u>	<u>(1,801,160)</u>	<u>(610,987)</u>	<u>1,190,173</u>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Cash Flows, Governmental Funds**  
**Year Ended June 30, 2020**

	General fund	MAP fund	ATP fund	Nonmajor - other grants fund	Total
<b>Cash flows from operating activities</b>					
Change in net position	\$ (610,987)	-	-	-	(610,987)
Adjustments to reconcile decrease in net position to net cash provided by (used in) operating activities					
Loss on disposal of assets	12,725	-	-	-	12,725
Net realized and unrealized gains on investments	(3,219)	-	-	-	(3,219)
Depreciation	66,131	-	-	-	66,131
Change in operating assets and liabilities					
Assessments receivable	307,566	-	-	-	307,566
Claims receivable	-	(42,602)	(1,034,562)	59,972	(1,017,192)
Other receivables	52,586	-	-	-	52,586
Prepaid expenses	4,128	-	-	-	4,128
Accounts payable	(3,105)	(376,359)	202,740	(47,915)	(224,639)
Accrued expenses	(304,696)	-	-	-	(304,696)
Deferred rent	(14,386)	-	-	-	(14,386)
Net cash provided by (used in) operating activities	<u>(493,257)</u>	<u>(418,961)</u>	<u>(831,822)</u>	<u>12,057</u>	<u>(1,731,983)</u>
<b>Cash flows from investing activities</b>					
Purchases of capital assets	<u>(65,966)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,966)</u>
Net cash used in investing activities	<u>(65,966)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,966)</u>
<b>Cash flows from financing activities</b>					
Sale of investments	1,848,937	-	-	-	1,848,937
Principal payments on capital leases	(12,890)	-	-	-	(12,890)
Decrease (increase) in due from other funds	<u>(1,235,237)</u>	<u>361,011</u>	<u>886,283</u>	<u>(12,057)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>600,810</u>	<u>361,011</u>	<u>886,283</u>	<u>(12,057)</u>	<u>1,836,047</u>
<b>Increase (decrease) in cash and cash equivalents</b>	41,587	(57,950)	54,461	-	38,098
<b>Cash and cash equivalents at beginning of year</b>	<u>1,412,693</u>	<u>339,553</u>	<u>-</u>	<u>-</u>	<u>1,752,246</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,454,280</u>	<u>281,603</u>	<u>54,461</u>	<u>-</u>	<u>1,790,344</u>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, General Fund**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	Budget	Actual	Variance
<b>Marketing</b>			
Consumer	\$ 1,690,000	1,621,679	68,321
Food Service	950,000	880,232	69,768
Digital/Measurement	150,000	143,908	6,092
Ingredients	450,000	439,577	10,423
Retail	500,000	458,626	41,374
Nutrition Professionals	600,000	652,320	(52,320)
Research and Analysis	560,000	528,481	31,519
Program Implementation	2,290,000	2,064,550	225,450
International	2,935,000	2,337,415	597,585
<b>Total Marketing</b>	<b>10,125,000</b>	<b>9,126,788</b>	<b>998,212</b>
<b>Research and Analysis</b>			
Potato Research Advisory Committee	40,000	17,789	22,211
Alliance for Potato Research and Education	500,000	500,000	-
Administrative Expenses	368,500	394,884	(26,384)
National Fry Processor Trials	278,010	211,921	66,089
National Chip Program	1,012,250	872,871	139,379
Reserve Funds	(69,000)	-	(69,000)
<b>Total Research and Analysis</b>	<b>2,129,760</b>	<b>1,997,465</b>	<b>132,295</b>
<b>Industry Outreach</b>			
Program Implementation	123,000	93,063	29,937
Industry Committee and Grower Relations	255,000	211,155	43,845
Policy	110,000	113,647	(3,647)
State and National Partnering	32,000	27,558	4,442
<b>Total Industry Outreach</b>	<b>520,000</b>	<b>445,423</b>	<b>74,577</b>
<b>Sponsorships</b>	<b>18,500</b>	<b>17,849</b>	<b>651</b>
<b>Annual Meeting</b>	<b>230,500</b>	<b>210,355</b>	<b>20,145</b>
<b>Special Projects</b>	<b>1,075,000</b>	<b>1,017,938</b>	<b>57,062</b>
<b>Contingency Fund</b>	<b>25,000</b>	<b>13,230</b>	<b>11,770</b>
<b>Total Program Expenditures</b>	<b>\$ 14,123,760</b>	<b>12,829,048</b>	<b>1,294,712</b>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Administrative Expenditures, General Fund**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personnel costs	\$ 1,700,000	1,680,080	19,920
Administrative committee travel	161,100	131,608	29,492
Executive committee travel	165,000	190,062	(25,062)
Staff and field operations travel	50,000	33,574	16,426
Professional services	179,500	185,919	(6,419)
Office expenses	186,100	212,484	(26,384)
Office lease	192,000	185,266	6,734
USDA user fees	202,000	180,434	21,566
Other operating expenses	<u>2,700</u>	<u>—</u>	<u>2,700</u>
Total administrative expenditures	<u>\$ 2,838,400</u>	<u>2,799,427</u>	<u>38,973</u>
 <b>Reconciliation to U.S. GAAP basis</b>			
Capital outlay		<u>81,262</u>	
Total administrative expenditures per statement of activities		<u>2,880,689</u>	

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**MAP Fund**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final</u>
<b>Revenue</b>				
Grants	\$ 4,977,912	4,977,912	4,392,274	(585,638)
<b>Total revenue</b>	<u>4,977,912</u>	<u>4,977,912</u>	<u>4,392,274</u>	<u>(585,638)</u>
<b>Expenditures</b>				
Program	4,977,912	4,977,912	4,392,274	585,638
<b>Total expenditures</b>	<u>4,977,912</u>	<u>4,977,912</u>	<u>4,392,274</u>	<u>585,638</u>
<b>Excess of revenue over expenditures</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**ATP Fund**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final</u>
<b>Revenue</b>				
Grants	\$ 5,130,000	5,130,000	1,161,886	(3,968,114)
<b>Total revenue</b>	<u>5,130,000</u>	<u>5,130,000</u>	<u>1,161,886</u>	<u>(3,968,114)</u>
<b>Expenditures</b>				
Program	<u>5,130,000</u>	<u>5,130,000</u>	<u>1,161,886</u>	<u>3,968,114</u>
<b>Total expenditures</b>	<u>5,130,000</u>	<u>5,130,000</u>	<u>1,161,886</u>	<u>3,968,114</u>
<b>Excess of revenue over expenditures</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, MAP Fund**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
Central America			
Foodservice	\$ 280,000	263,473	16,527
Retail	140,000	121,974	18,026
Ingredient	30,000	33,927	(3,927)
Consumer/PPM	70,000	60,835	9,165
Total Central America	520,000	480,209	39,791
China			
Foodservice	300,000	232,065	67,935
Retail	85,000	95,000	(10,000)
Ingredient	20,000	3,738	16,262
Consumer/PPM	118,000	100,993	17,007
Market Access & Implementation	30,000	-	30,000
Total China	553,000	431,796	121,204
Japan			
Foodservice	340,000	296,965	43,035
Retail	40,000	31,335	8,665
Ingredient	110,000	91,017	18,983
Consumer/PPM	87,000	129,259	(42,259)
Total Japan	577,000	548,576	28,424
Thailand			
Foodservice	170,000	183,198	(13,198)
Ingredient	60,000	46,621	13,379
Total Thailand	230,000	229,819	181

*(Continued)*

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, MAP Fund (Continued)**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
Malaysia			
Foodservice	\$ 175,000	186,948	(11,948)
Retail	115,000	123,707	(8,707)
Ingredient	60,000	67,507	(7,507)
Consumer/PPM	<u>65,000</u>	<u>82,837</u>	<u>(17,837)</u>
Total Malaysia	415,000	460,999	(45,999)
Mexico			
Foodservice	215,000	186,522	28,478
Retail	85,000	110,986	(25,986)
Ingredient	75,000	70,787	4,213
Consumer/PPM	100,000	97,785	2,215
Market Access & Implementation	<u>45,000</u>	<u>38,238</u>	<u>6,762</u>
Total Mexico	520,000	504,318	15,682
Myanmar			
Foodservice	81,000	79,348	1,652
Retail	50,000	42,076	7,924
Ingredient	<u>30,000</u>	<u>23,942</u>	<u>6,058</u>
Total Myanmar	161,000	145,366	15,634
Philippines			
Foodservice	230,000	230,390	(390)
Retail	85,000	84,452	548
Ingredient	95,000	70,278	24,722
Consumer/PPM	<u>65,000</u>	<u>63,653</u>	<u>1,347</u>
Total Philippines	475,000	448,773	26,227

*(Continued)*

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, MAP Fund (Continued)**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
South Korea			
Foodservice	\$ 249,000	241,447	7,553
Retail	70,000	71,301	(1,301)
Ingredient	85,000	77,534	7,466
Consumer/PPM	<u>85,000</u>	<u>84,346</u>	<u>654</u>
Total South Korea	489,000	474,628	14,372
Taiwan			
Foodservice	125,000	94,722	30,278
Retail	80,000	75,746	4,254
Consumer/PPM	<u>70,000</u>	<u>61,402</u>	<u>8,598</u>
Total Taiwan	275,000	231,870	43,130
Vietnam			
Foodservice	120,000	120,882	(882)
Retail	70,000	47,797	22,203
Ingredient	55,000	16,331	38,669
Consumer/PPM	<u>50,000</u>	<u>66,398</u>	<u>—</u>
Total Vietnam	295,000	251,408	43,592
Global Evaluation			
Rep Meeting	102,912	3,250	99,662
Market Maintenance	5,000	—	5,000
Market Evaluation	50,000	27,051	22,949
Market Research	<u>35,000</u>	<u>30,000</u>	<u>5,000</u>
Total Evaluation	192,912	60,301	132,611

*(Continued)*

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, MAP Fund (Continued)**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
<b>SEED PROMOTION</b>			
Global Resources			
International Organizations	\$ 15,000	12,859	2,141
International Promotions	25,000	850	24,150
Market Maintenance	<u>10,000</u>	<u>9,965</u>	<u>35</u>
Total Global Resources	50,000	23,674	26,326
Guatemala			
Market Development	20,000	3,718	16,282
Reverse Trade Mission	35,000	18,108	16,892
Trade Education	<u>20,000</u>	<u>9,694</u>	<u>10,306</u>
Total Guatemala	75,000	31,520	43,480
Morocco			
Market Development	20,000	1,948	18,052
Reverse Trade Mission	35,000	20,301	14,699
Trade Education	<u>20,000</u>	<u>7,674</u>	<u>12,326</u>
Total Morocco	75,000	29,923	45,077
Myanmar			
Market Development	20,000	3,143	16,857
Reverse Trade Mission	35,000	31,871	3,129
Trade Education	<u>20,000</u>	<u>4,080</u>	<u>15,920</u>
Total Myanmar	75,000	39,094	35,906
Total Seed Promotion	<u>275,000</u>	<u>124,211</u>	<u>150,789</u>
<b>Marketing Year 2019 Expenditures</b>	<b><u><u>\$ 4,977,912</u></u></b>	<b><u><u>4,392,274</u></u></b>	<b><u><u>585,638</u></u></b>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, ATP Fund**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
Cambodia			
Foodservice	\$ 120,000	–	120,000
Total Cambodia	120,000	–	120,000
Central America			
Ingredient	55,000	22	54,978
Market Access & Implementation	65,000	–	65,000
Total Central America	120,000	22	119,978
Greater China			
Foodservice	295,000	–	295,000
Retail	70,000	34,905	35,095
Market Access & Implementation	90,000	649	89,351
Total Greater China	455,000	35,554	419,446
Indonesia			
Foodservice	50,000	–	50,000
Retail	75,000	–	75,000
Ingredient	55,000	22	54,978
Market Access & Implementation	150,000	29,830	120,170
Total Indonesia	330,000	29,852	300,148
Malaysia			
Consumer/PPM	80,000	59,445	20,555
Total Malaysia	80,000	59,445	20,555

*(Continued)*

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, ATP Fund (Continued)**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
Japan			
Retail	\$ 180,000	148,138	31,862
Ingredient	65,000	6,055	58,945
Market Access & Implementation	80,000	—	80,000
Total Japan	325,000	154,193	170,807
Mexico			
Foodservice	305,000	90,472	214,528
Retail	140,000	18,241	121,759
Consumer/PPM	40,000	32,840	7,160
Market Access & Implementation	110,000	—	110,000
Total Mexico	595,000	141,553	453,447
Myanmar			
Consumer Communications	15,000	14,798	202
Foodservice	50,000	23,000	27,000
Ingredient	105,000	—	105,000
Total Myanmar	170,000	37,798	132,202
Philippines			
Foodservice	75,000	33,471	41,529
Ingredient	55,000	22	54,978
Total Philippines	130,000	33,493	96,507
South Korea			
Ingredient	105,000	22	104,978
Consumer/PPM	200,000	166,902	33,098
Total South Korea	305,000	166,924	138,076

*(Continued)*

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, ATP Fund (Continued)**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
Saudi Arabia			
Foodservice	\$ 175,000	5,911	169,089
Retail	55,000	–	55,000
Ingredient	<u>55,000</u>	<u>–</u>	<u>55,000</u>
Total Saudi Arabia	285,000	5,911	279,089
Taiwan			
Ingredient	<u>130,000</u>	<u>1,808</u>	<u>128,192</u>
Total Taiwan	130,000	1,808	128,192
Thailand			
Foodservice	200,000	–	200,000
Retail	120,000	–	120,000
Ingredient	<u>65,000</u>	<u>20</u>	<u>64,980</u>
Total Thailand	385,000	20	384,980
UAE			
Foodservice	105,000	5,925	99,075
Retail	50,000	–	50,000
Ingredient	<u>125,000</u>	<u>49,212</u>	<u>75,788</u>
Total UAE	280,000	55,137	224,863
Vietnam			
Foodservice	75,000	–	75,000
Ingredient	<u>55,000</u>	<u>–</u>	<u>55,000</u>
Total Vietnam	130,000	–	130,000

*(Continued)*

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, ATP Fund (Continued)**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Marketing Year 2019 Expenditures Incurred in Fiscal Year 2020</b>			
Global Evaluation			
Why Buy U.S. Potatoes?	\$ 400,000	262,479	137,521
Competitor Research	150,000	4,951	145,049
ATP Administrative Support	200,000	62,254	137,746
Sponsor Foreign Officials	80,000	–	80,000
	<u>830,000</u>	<u>329,684</u>	<u>500,316</u>
<b>SEED PROMOTION</b>			
Global Resources			
Maintenance Market Travel	150,000	76,008	73,992
New Market Exploration, Evaluation, & Assessment	70,000	13,854	56,146
International Standards Resources	15,000	660	14,340
	<u>235,000</u>	<u>90,522</u>	<u>144,478</u>
Total Global Resources	235,000	90,522	144,478
State Programs			
Colorado (CPAC)	95,000	19,970	75,030
Oregon (OPC)	130,000	–	130,000
	<u>225,000</u>	<u>19,970</u>	<u>205,030</u>
Total Guatemala	225,000	19,970	205,030
	<u>460,000</u>	<u>110,492</u>	<u>349,508</u>
Total Seed Promotion	460,000	110,492	349,508
<b>Marketing Year 2019 Expenditures</b>	<b><u><u>\$ 5,130,000</u></u></b>	<b><u><u>1,161,886</u></u></b>	<b><u><u>3,848,114</u></u></b>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, QSP Program**  
**Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Agreement 2019-03 (Expires 6/30/2020)</b>			
Burma/Myanmar Potato Product Samples	\$ 20,000	5,055	14,945
Central America Fresh Potato Samples – Chip Stock	30,000	12,144	17,856
China Fresh Potato Samples – Chip Stock	25,000	–	25,000
Japan Product Sampling - Ingredient	35,000	852	34,148
Malaysia Dehydrated Potato Product Samples	5,000	3,131	1,869
Mexico Dehydrated Potato Product Samples	10,000	4,024	5,976
Philippines Dehydrated Potato Product Samples	20,000	14,298	5,702
South Korea Dehydrated Potato Product Samples	5,000	3,174	1,826
Thailand Dehydrated Potato Product Samples	6,000	1,982	4,018
Vietnam Dehydrated Potato Product Samples	20,000	11,514	8,486
Seed Potato Variety Samples – Latin America Demo Plot	15,000	–	15,000
Burma/Myanmar Seed Potato Variety Trial Samples	30,000	17,501	12,499
Guatemala Seed Potato Variety Trial Samples	25,000	10,775	14,225
Morocco Seed Potato Variety Trial Samples	45,000	2,969	42,031
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenditures</b>	<b>\$ <u>291,000</u></b>	<b><u>87,419</u></b>	<b><u>203,581</u></b>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, EMP Program**  
**Budget and Actual**  
**Year Ended June 30, 2020**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Agreement 2014-25 (Expires 9/30/2019)</b>			
Plant Health Visit to the US - Morocco	\$ 41,059	37,670	3,389
<b>Total Expenditures</b>	<u>\$ 41,059</u>	<u>37,670</u>	<u>3,389</u>

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Program Expenditures, TASC Program**  
**Budget and Actual**  
**Year Ended June 30, 2020**

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	Budget	Actual	Variance
<b>Agreement 2018-07 (Expires 7/31/2020)</b>			
Taiwan Non-tariff Barriers	\$ 179,267	–	179,267
<b>Total Expenditures</b>	\$ 179,267	–	179,267

See the accompanying independent auditor's report.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Capital Assets**  
**Year Ended June 30, 2020**

Date of purchase	Item	Cost
<b>Office furniture</b>		
February 2020	Harte Galleries	\$ 4,500
December 2019	Conference Room Chairs	4,427
August 2019	Standing Desk	601
May 2019	Shelving	620
February 2019	Office artwork	3,600
December 2018	Standing desk	1,556
June 2018	Dishwasher	955
June 2018	Standing desk	657
March 2018	Flatware	3,255
September 2017	Furniture	1,544
September 2017	Furniture	210
September 2017	Furniture	600
August 2017	Furniture	4,020
August 2017	Furniture	1,131
July 2017	Standing Desks	1,050
June 2017	Office furniture	1,655
May 2017	Office furniture	4,026
May 2017	Office furniture	628
May 2017	Office furniture	591
January 2017	Standing desks	990
September 2016	Key technology	750
June 2016	Standing desks	1,110
April 2015	Key technology	535
October 2014	Modular furniture	2,710
October 2014	Leasehold improvements - build-out construction	29,124
July 2014	Leasehold improvements - design	2,828
April 2013	Office artwork	1,700
April 2013	Office chairs	3,440
January 2013	18 office chairs	3,556
January 2013	Conference table and chairs	7,010
July 2008	Chairs	346
June 2008	Server rack	1,273
September 2007	Conference and lobby chairs	2,365

*(Continued)*

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Capital Assets (Continued)**  
**Year Ended June 30, 2020**

Date of purchase	Item	Cost
<b>Office furniture</b>		
September 2007	Kitchen refrigerator	\$ 743
November 2006	File cabinets and shelves	957
January 1990	Lateral file	395
June 1987	Gray metal shelving	512
June 1987	Gray metal shelving	512
June 1987	Gray metal shelving	512
December 1984	Work table	143
June 1977	Four drawer lateral file	466
March 1975	Five drawer lateral file	419
September 1974	Four drawer file cabinet	122
September 1974	Four drawer file cabinet	122
September 1974	Four drawer file cabinet	122
September 1974	Four drawer file cabinet	122
September 1974	Four drawer file cabinet	122
September 1974	Four drawer file cabinet	122
November 1973	Two drawer lateral file	175
November 1973	Two drawer lateral file	175
February 1973	Four drawer file cabinet	101
February 1973	Four drawer file cabinet	101
	Auditor rounding	(3)
	<b>Total office furniture</b>	<u>99,303</u>
<b>Office equipment</b>		
June 2020	MacBook Pro	2,099
June 2020	Television (part of A/V System)	414
June 2020	A/V System	3,151
May 2020	ITO Solutions	2,535
May 2020	Dyson Air Purifiers	3,000
May 2020	Personal Printers	600
May 2020	ITO Solutions	1,243
March 2020	Flint Group	37,000
March 2020	ITO Solutions	766
March 2020	ITO Solutions	1,054

(Continued)

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Capital Assets (Continued)**  
**Year Ended June 30, 2020**

Date of purchase	Item	Cost
<b>Office equipment</b>		
March 2020	ITO Solutions	\$ 1,354
August 2019	Surface Tablet	1,444
August 2019	Server Updates	330
July 2019	ITO Solutions	1,449
June 2019	iPad	729
June 2019	Server Updates	32,439
June 2019	Switch for Server Room	812
February 2019	Video speaker for conference room	865
November 2018	What are you eating? Website	4,498
June 2017	Television	1,165
May 2016	Conference room equipment	5,300
December 2014	Polycom conference phone	717
August 2014	Apple computer	1,716
April - June 2012	Phone network cabling	7,700
June 2010	Printer	2,950
	<b>Total office equipment</b>	<u>115,330</u>
<b>Vehicles</b>		
June 2017	2017 Chevrolet Silverado	49,752
March 2016	2016 Ford E3K 32 foot truck	122,381
	<b>Total vehicles</b>	<u>172,133</u>
	<b>Total capital assets</b>	<u>\$ 386,766</u>

In 2020, \$38,266 in obsolete office furniture and \$304,172 in obsolete office equipment were removed from this schedule.

See the accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

**Board of Directors  
National Potato Promotion Board  
d/b/a Potatoes USA**

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 the governmental activities, the major fund, and the aggregate remaining fund information of National Potato Promotion Board d/b/a Potatoes USA, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Potatoes USA's basic financial statements, and have issued our report thereon dated January 14, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Potatoes USA'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 Potatoes USA's internal control. Accordingly, we do not express an opinion on the effectiveness of Potatoes USA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

**Board of Directors  
National Potatoes Promotion Board  
d/b/a Potatoes USA**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Potatoes USA'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*.

**Potatoes USA's Response to Finding**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Keundinger, Cardia & Congle, P.C.*

January 14, 2021

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control over Compliance Required by the Uniform Guidance**

**Board of Directors  
National Potato Promotion Board  
d/b/a Potatoes USA**

**Report on Compliance for Each Major Federal Program**

We have audited National Potato Promotion Board d/b/a Potatoes USA's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Potatoes USA's major federal programs for the year ended June 30, 2020. Potatoes USA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, National Potato Promotion Board d/b/a Potatoes USA 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 June 30, 2020.

**Board of Directors  
National Potato Promotion Board  
d/b/a Potatoes USA**

**Report on Internal Control over Compliance**

Management of Potatoes USA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Potatoes USA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Potatoes USA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Kundinger, Carda & Congle, P.C.*

January 14, 2021

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

Federal grantor/pass-through grantor/program or cluster title	Identifying Number	Federal CFDA number	Federal expend- itures
<b>U.S. Department of Agriculture</b>			
<b>Direct Programs</b>			
Market Access Program	Market Year 19	10.601	\$ 4,392,274
Agricultural Trade Promotion Program	ATP-2019	10.618	1,161,886
Total MAP/ATP Cluster			<u>5,554,160</u>
Emerging Markets Program	2014-25	10.603	<u>37,670</u>
Quality Samples Program	2019-03	10.605	<u>87,419</u>
<b>Total Direct Programs</b>			<u>5,679,249</u>
<b>Total U.S. Department of Agriculture</b>			<u>5,679,249</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 5,679,249</u>

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of National Potato Promotion Board d/b/a Potatoes USA under programs of the federal government for the year Ended June 30, 2020. 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). Because the Schedule presents only a selected portion of the operations of Potatoes USA, it is not intended to and does not present the net position, changes in net position, or cash flows of Potatoes USA.

**Note 2: Summary of Significant Accounting Policies**

- (a) Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (b) Potatoes USA has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- (c) Potatoes USA does not have any significant subrecipients.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

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**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of National Potato Promotion Board d/b/a Potatoes USA were prepared in accordance with *Government Auditing Standards*.
2. One significant deficiency relating to the audit of the financial statements is reported in the *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*.
3. No instances of noncompliance material to the financial statements of Potatoes USA, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Potatoes USA expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The major programs tested were the MAP/ATP cluster, which included U.S. Department of Agriculture, Market Access Program, CFDA No. 10.601 and U.S. Department of Agriculture, Agricultural Trade Promotion Program, CFDA No. 10.618.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Potatoes USA did not qualify as a low-risk auditee.

**B. Findings – Financial Statement Audit**

*2020-001 Significant Deficiency in Internal Controls over Wires to Vendors*

*Criteria and Condition:* Internal control procedures for changes to wire information require that employees begin a new email chain to confirm with their contact at the vendor that the email came from them. The procedures also require a phone call confirmation with a member of the accounting team and an employee outside of the accounting team at the vendor to confirm any changes. Potatoes USA notified KCE of an exception to this procedure during the year resulting in a wire disbursement to an illegitimate bank account.

*Cause:* Employees did not properly adhere to the policies and procedures in this instance to ensure that the requested bank account change was legitimate.

*Effect:* An invoice for \$94,844 to a legitimate foreign vendor was wired to an illegitimate bank account. This did not result in any questioned costs as the amount was not charged to a grant.

*Recommendation:* We recommend Potatoes USA implement proper training with an emphasis on the importance of following established internal control procedures. We also recommend all employees be better educated on how to avoid and detect suspicious emails.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended June 30, 2020**

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**B. Findings – Financial Statement Audit, Continued**

*Views of Responsible Officials:* Management has communicated with employees the importance of following established controls. Internal control procedures surrounding bank information changes have been altered to ensure that only the Vice President of Finance and Policy can make the final change to contractor bank information. In addition, when a new vendor has been established or bank information has been changed, a test wire will be sent to the vendor. Once the vendor confirms the amount of the test wire, the remaining funds will be sent. Additional training will be provided to all employees that handle bank information requests from vendors.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

None.

**National Potato Promotion Board d/b/a Potatoes USA**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2020**

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None.

**Independent Auditor's Report on Compliance and on Internal Control over Compliance in Accordance with Standards of the Agricultural Marketing Service Agency of the United States Department of Agriculture, Potato Research and Promotion Act**

**Board of Directors  
National Potato Promotion Board  
d/b/a Potatoes USA**

**Report on Compliance**

We have audited National Potato Promotion Board d/b/a Potatoes USA's compliance with the types of compliance requirements contained in the standards of the Agriculture Marketing Service (AMS) Agency of the United States Department of Agriculture, Potato Research and Promotion Act that are indicated below for the year ended June 30, 2020.

**Management's Responsibility**

Management is responsible for compliance with the requirements of the standards of AMS, specifically as stated under Opinion on Compliance below.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for based on our audit of the types of compliance requirements referred to below. 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 standards of AMS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below that could have a direct and material effect on Potatoes USA has occurred. An audit includes examining, on a test basis, evidence about Potatoes USA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of Potatoes USA's compliance.

**Opinion on Compliance**

In our opinion, Potatoes USA complied, in all material respects, with the types of compliance requirements referred to below for the year ended June 30, 2020.

In connection with our audit, nothing came to our attention, insofar as it relates to accounting matters, that caused us to believe that Potatoes USA:

- 1) Failed to comply with Section 1207.360 of the Potato Research and Promotion Plan relating to use of assessments for the purpose of influencing legislation, as that term is defined in Section 4911(d) and (e)(2) of Title 26 of the Internal Revenue Code, or for the purpose of influencing governmental policy or action.

**Board of Directors  
National Potatoes Promotion Board  
d/b/a Potatoes USA**

- 2) Was not in compliance with the terms of the Agricultural Marketing Service Investment Policy, other than an exception granted by the U.S. Department of Agriculture, which describes the types of instruments in which Potatoes USA may invest, insofar as they relate to accounting matters.
- 3) Was not in compliance with the requirement to have internal controls over funds that meet auditing standards.
- 4) Was not in compliance with the requirement that assessment funds be used only for projects authorized in a budget approved by the U.S. Department of Agriculture, insofar as they relate to accounting matters.
- 5) Was not in compliance with the provisions of the Potato Research and Promotion Act related to the use of assessment funds, insofar as they relate to accounting matters.

However, it should be noted that our audit was not directed primarily towards obtaining knowledge of such noncompliance.

**Report on Internal Control over Compliance**

Management of Potatoes USA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Potatoes USA's internal control over compliance with the types of requirements that could have a direct and material effect to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and report on internal control over compliance in accordance with AMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Potatoes USA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Kundinger, Cordia & Congle, P.C.*

January 14, 2021