

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

**Financial Statements and Required
Supplementary Information**

June 30, 2021

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

National Potato Promotion Board d/b/a Potatoes USA
Table of Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Statement of Net Position and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances.....	9
Notes to Financial Statements	10

Required Supplementary Information

General Fund Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	19
MAP Fund Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	20
ATP Fund Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	21

Other Supplementary Information

Schedule of Cash Flows, Governmental Funds	22
Schedule of Program Expenditures, General Fund – Budget and Actual	23
Schedule of Administrative Expenditures, General Fund – Budget and Actual	24
Schedule of Program Expenditures, MAP Fund – Budget and Actual	25
Schedule of Program Expenditures, ATP Fund – Budget and Actual	29
Schedule of Program Expenditures, QSP Program – Budget and Actual	32
Schedule of Program Expenditures, TASC Program – Budget and Actual	33
Schedule of Capital Assets	34

Single Audit Reports

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	39
Schedule of Expenditures of Federal Awards	41
Schedule of Findings and Questioned Costs	42
Summary Schedule of Prior Audit Findings.....	43

Other Reports

Independent Auditor’s Report on Compliance and on Internal Control over Compliance in Accordance with Standards of the Agricultural Marketing Services Agency of the United States Department of Agriculture, Potato Research and Promotion Act.....	44
---	-----------

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 National Potato Promotion Board, d/b/a Potatoes USA, as of and for the year ended June 30, 2021, 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, 2021, 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 and the General Fund and major special revenue funds budgetary comparisons 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 February 17, 2022, 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.

Kumdinge, Cochrane & Congle, P.C.

February 17, 2022

National Potato Promotion Board d/b/a Potatoes USA

Management's Discussion and Analysis

June 30, 2021

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, 2021. 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 \$13,484,547 as of June 30, 2021, reflecting an increase in net position of \$2,452,775 since June 30, 2020.
- Potatoes USA's general fund ending fund balance totaled \$12,540,037 at June 30, 2021. This ending fund balance includes \$2,866,000 in funds assigned for specific purposes by the Board of Directors, \$193,425 in non-spendable funds, and \$9,480,612 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

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 2021, 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

Government-wide Financial Analysis

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

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 2,213,839	1,790,344
Investments	7,963,013	6,171,301
Assessments receivable	1,998,691	1,721,099
Claims receivable	3,918,945	3,916,979
Other receivables	127,899	63,651
Prepaid items	193,425	185,771
Capital assets, net	<u>944,510</u>	<u>152,535</u>
Total assets	\$ <u>17,360,322</u>	<u>14,001,680</u>
Liabilities		
Accounts payable	\$ 3,814,648	2,909,125
Deferred rent	<u>61,127</u>	<u>60,783</u>
Total liabilities	<u>3,875,775</u>	<u>2,969,908</u>
Net position		
Net investment in capital assets	944,510	152,535
Unrestricted	<u>12,540,037</u>	<u>10,879,237</u>
Net position	\$ <u>13,484,547</u>	<u>11,031,772</u>

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

	<u>2021</u>	<u>2020</u>
Revenue		
Assessments	\$ 14,800,013	14,514,760
Contributions	446,962	435,960
Grants	5,239,929	5,679,249
Other revenue	<u>52,924</u>	<u>148,030</u>
Total revenue	<u>20,539,828</u>	<u>20,777,999</u>
Expenditures		
Program	15,477,281	18,508,297
Operating	<u>2,609,772</u>	<u>2,865,558</u>
Total expenditures	<u>18,087,053</u>	<u>21,373,855</u>
Change in net position	\$ <u>2,452,775</u>	<u>(595,856)</u>

National Potato Promotion Board d/b/a Potatoes USA

Management's Discussion and Analysis

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>2021</u>	<u>2020</u>
Assessments	\$ 14,800,013	14,514,760
Contributions	446,962	435,960
Investment return	52,924	115,000
Other revenue	<u>—</u>	<u>33,030</u>
Total revenue	\$ <u>15,299,899</u>	<u>15,098,750</u>

- Potatoes USA recorded total assessments revenue of \$14,800,013 during the year ended June 30, 2021. This is an increase of \$285,253 from the year ended June 30, 2020.
- 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, 2021 total \$446,962 which is similar to prior year contributions. Unspent amounts remaining at June 30, 2021 are reflected in the unassigned balance.
- Investment return is generated from Potatoes USA's investments. Potatoes USA earned \$52,924 in the year ended June 30, 2021. This is a decrease of (\$62,076) from the year ended June 30, 2020 due to a reduction in interest rates.

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 \$5,443,626 for the year ended June 30, 2021 of which \$4,451,696 was expended. This amount awarded was \$445,714 higher than the previous award due to a special increase in funding; however, Potatoes USA was not able to spend the entirety of the award due to travel restrictions and other pandemic uncertainties.

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 period February 1, 2019 through September 30, 2021. It has been extended through September 30, 2024. Available funds at September 30, 2021 total \$3,269,997.

National Potato Promotion Board d/b/a Potatoes USA

Management's Discussion and Analysis

Other Grant Funds

Funding is received from FAS for Quality Samples Program, which is designed to pay for commercially viable samples of U.S. agricultural products to be tested by end users in foreign countries. Funding is also received from FAS for Technical Assistance for Specialist Crops Program, which is designed to fund projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops. Grants funded by USDA are paid on a reimbursement basis.

Expenditures

Potatoes USA's program expenditures decreased by (\$3,031,016) to \$15,477,281 due to travel constraints and other pandemic uncertainties. Operating expenditures decreased by (\$255,786) to \$2,609,772 due to a reduction in travel costs.

Capital Assets

During the year ended June 30, 2021, Potatoes USA began construction on new office space resulting in construction in progress costs totaling \$835,442. In addition, Potatoes USA acquired \$18,610 of office equipment, \$13,495 in vehicle leases, and disposed of obsolete office equipment totaling \$3,625, bringing its capital asset balance to \$944,510, net of accumulated depreciation of \$306,178. Depreciation expense in 2021 totaled \$74,057.

General Fund Budgetary Highlights

The most significant budgeted fund is the General Fund.

	<u>Final Budget</u>	<u>Actual</u>
Beginning fund balance	\$ 10,879,237	10,879,237
Revenue	14,933,700	15,299,899
Expenditures	<u>(15,100,088)</u>	<u>(13,639,099)</u>
Ending fund balance	\$ <u>10,712,849</u>	<u>12,540,037</u>

Actual revenue exceeded budgetary expectations due to the industry recovering from the pandemic more quickly than anticipated. Expenditures were under budget in several areas, with the most significant decrease in program spending largely due to pandemic restrictions, particularly affecting staff's ability to travel both domestically and internationally. Pandemic restrictions both in the U.S. and international markets also limited or changed how many programs and activities were implemented. In many cases, virtual activities cost less to implement than in-person activities.

The 2021 General Fund budget was amended during the year for expected decreases in assessment revenue, program expenditures, and travel expenditures due to pandemic travel restrictions.

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, 3675 Wynkoop Street, Denver, CO 80216.

National Potato Promotion Board d/b/a Potatoes USA
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2021

	General fund	MAP fund	ATP fund	Nonmajor- other grants fund	Total	Adjustments	Statement of net position
Assets							
Cash and cash equivalents (note 2)	\$ 1,230,816	825,898	157,125	-	2,213,839	-	2,213,839
Investments (note 2)	7,963,013	-	-	-	7,963,013	-	7,963,013
Assessments receivable	1,998,691	-	-	-	1,998,691	-	1,998,691
Claims receivable	-	3,352,553	508,276	58,116	3,918,945	-	3,918,945
Other receivables	127,899	-	-	-	127,899	-	127,899
Interfund balances (note 3)	3,008,620	-	989,077	-	3,997,697	(3,997,697)	-
Prepaid expenses	193,425	-	-	-	193,425	-	193,425
Capital assets (note 4)							
Office furniture	-	-	-	-	-	99,303	99,303
Office equipment	-	-	-	-	-	130,315	130,315
Vehicles	-	-	-	-	-	185,628	185,628
Construction in progress	-	-	-	-	-	835,442	835,442
Less accumulated depreciation	-	-	-	-	-	(306,178)	(306,178)
Capital assets, net	-	-	-	-	-	944,510	944,510
Total assets	\$ 14,522,464	4,178,451	1,654,478	58,116	20,413,509	(3,053,187)	17,360,322
Liabilities							
Accounts payable	\$ 1,351,217	1,763,780	129,568	-	3,244,565	-	3,244,565
Accrued expenses	570,083	-	-	-	570,083	-	570,083
Interfund balances (note 3)	-	2,414,671	1,524,910	58,116	3,997,697	(3,997,697)	-
Deferred rent	61,127	-	-	-	61,127	-	61,127
Total liabilities	1,982,427	4,178,451	1,654,478	58,116	7,873,472	(3,997,697)	3,875,775
Fund Balances/Net Position							
Fund balances (note 5)							
Non-spendable	193,425	-	-	-	193,425	(193,425)	-
Assigned	2,866,000	-	-	-	2,866,000	(2,866,000)	-
Unassigned	9,480,612	-	-	-	9,480,612	(9,480,612)	-
Total fund balances	12,540,037	-	-	-	12,540,037	(12,540,037)	-
Commitments and contingencies (notes 6 through 9)							
Total liabilities and fund balances	\$ 14,522,464	4,178,451	1,654,478	58,116	20,413,509		
Net Position							
Net investment in capital assets						944,510	944,510
Unrestricted						12,540,037	12,540,037
Total net position						13,484,547	13,484,547

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, 2021

	General fund	MAP fund	ATP fund	Nonmajor - other grants fund	Total	Adjust- ments	Statement of net activities
Revenue							
Assessments	\$ 14,800,013	-	-	-	14,800,013	-	14,800,013
Contributions	446,962	-	-	-	446,962	-	446,962
Grants	-	4,451,696	700,117	88,116	5,239,929	-	5,239,929
Other revenue	52,924	-	-	-	52,924	-	52,924
Total revenue	<u>15,299,899</u>	<u>4,451,696</u>	<u>700,117</u>	<u>88,116</u>	<u>20,539,828</u>	<u>-</u>	<u>20,539,828</u>
Expenditures							
Program	10,237,352	4,451,696	700,117	88,116	15,477,281	-	15,477,281
Personnel costs	1,721,120	-	-	-	1,721,120	-	1,721,120
Administrative committee travel	31,508	-	-	-	31,508	-	31,508
Executive committee travel	36,697	-	-	-	36,697	-	36,697
Staff and field operations travel	3,073	-	-	-	3,073	-	3,073
Professional services	111,713	-	-	-	111,713	-	111,713
Office	483,594	-	-	-	483,594	-	483,594
USDA user fees	144,194	-	-	-	144,194	-	144,194
Depreciation	-	-	-	-	-	74,057	74,057
Other	2,301	-	-	-	2,301	1,515	3,816
Total current expenditures	<u>12,771,552</u>	<u>4,451,696</u>	<u>700,117</u>	<u>88,116</u>	<u>18,011,481</u>	<u>75,572</u>	<u>18,087,053</u>
Capital outlay	867,547	-	-	-	867,547	(867,547)	-
Total capital outlay	<u>867,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>867,547</u>	<u>(867,547)</u>	<u>-</u>
Total expenditures	<u>13,639,099</u>	<u>4,451,696</u>	<u>700,117</u>	<u>88,116</u>	<u>18,879,028</u>	<u>(791,975)</u>	<u>18,087,053</u>
Excess of revenue over expenditures	<u>1,660,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,660,800</u>	<u>791,975</u>	<u>2,452,775</u>
Fund balances at beginning of year	<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>
Fund balances at end of year	<u>\$ 12,540,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,540,037</u>	<u>944,510</u>	<u>13,484,547</u>

See the accompanying notes to the financial statements.

National Potato Promotion Board d/b/a Potatoes USA

Notes to Financial Statements

June 30, 2021

(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

(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

(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, 2021, 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

(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

(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 February 17, 2022, the date the financial statements were available to be issued.

(2) Cash and Cash Equivalents and Investments

At June 30, 2021, the carrying value of Potatoes USA's cash and investments are reflected in the financial statements as follows:

Cash and cash equivalents	\$ 2,213,839
Investments	<u>7,963,013</u>
Total cash and investments	\$ <u>10,176,852</u>

At June 30, 2021, Potatoes USA's bank balances and investments consist of the following:

FDIC insured bank deposits	\$ 250,000
Collateralized bank deposits	1,963,839
Collateralized U.S. Treasury CDs	733,559
Money market fund	5,374,383
FDIC insured short-term CDs	1,361,585
FDIC insured long-term CDs*	<u>493,486</u>
Total cash and investments	\$ <u>10,176,852</u>

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

(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, 2021, short-term investments are invested in a money market fund that bears an interest rate of 0.30% and certificates of deposits that bear interest rates ranging from 0.84% to 3.20%. At June 30, 2021, long-term investments are invested in certificates of deposit that bear interest rates ranging from 1.90% to 2.40%.

At June 30, 2021, Potatoes USA held \$5,374,383 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, 2021 is \$5,374,383.

(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, 2021, the following balances were due between funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	MAP Fund	\$ 2,414,671
General Fund	ATP Fund	535,833
General Fund	Nonmajor - other grants fund	58,116
ATP Fund	MAP Fund	<u>989,077</u>
		<u>\$ 3,997,697</u>

(4) Capital Assets

Capital assets activity during the year ended June 30, 2021 included the following:

	<u>July 1,</u> <u>2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30,</u> <u>2021</u>
Office furniture	\$ 99,303	-	-	99,303
Office equipment	115,330	18,610	(3,625)	130,315
Vehicles	172,133	13,495	-	185,628
Construction in progress	<u>-</u>	<u>835,442</u>	<u>-</u>	<u>835,442</u>
Total capital assets	386,766	867,547	(3,625)	1,250,688
Less accumulated depreciation	<u>(234,231)</u>	<u>(74,057)</u>	<u>2,110</u>	<u>(306,178)</u>
Capital assets, net	<u>\$ 152,535</u>	<u>793,490</u>	<u>(1,515)</u>	<u>944,510</u>

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

(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, 2021 is \$193,425 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, 2021.

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 and NFPT research purposes. There is an assigned \$616,000 in shut-down reserves for the NCPT and NFPT programs.

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, 2021.

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

(6) Operating Leases

Potatoes USA is obligated under various operating leases for equipment and office space that expire through 2035. Future minimum rental payments under these leases are as follows for the year ended June 30, 2021:

2022	\$ 374,323
2023	207,328
2024	202,261
2025	190,670
2026	195,842
Thereafter	<u>2,036,100</u>
Total future minimum rental payments	\$ <u>3,206,524</u>

Total lease expense for the year ended June 30, 2021 was \$275,174.

(7) 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, 2021, Potatoes USA contributed \$235,730 to the Plan.

(8) 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, 2020 to June 30, 2021. 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.

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

(9) 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 \$5 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, 2021, no amounts were due to FAS.

(10) 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	\$ 12,540,037
Capital assets used in governmental activities not reported in the Governmental Funds	<u>944,510</u>
Total net position	\$ <u>13,484,547</u>

(11) 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, 2021:

Net change in fund balance – Governmental Funds	\$ 1,660,800
Difference in depreciation and capital outlay	793,490
Loss on disposal of capital assets	<u>(1,515)</u>
Change in net position of Governmental Activities	\$ <u>2,452,775</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, 2021

	Original Budget	Final Budget	Actual	Variance From Final
Revenue				
Assessments	\$ 15,200,000	14,400,000	14,800,013	400,013
Contributions	467,250	443,700	446,962	3,262
Other revenue	170,000	90,000	52,924	(37,076)
Total revenue	<u>15,837,250</u>	<u>14,933,700</u>	<u>15,299,899</u>	<u>366,199</u>
Expenditures				
Program	13,258,500	12,463,500	10,237,352	2,226,148
Personnel costs	1,750,000	1,750,000	1,721,120	28,880
Administrative committee travel	165,000	15,000	31,508	(16,508)
Executive committee travel	170,000	6,500	36,697	(30,197)
Staff and field operations travel	55,000	-	3,073	(3,073)
Professional services	202,500	192,500	111,713	80,787
Office	390,400	442,000	483,594	(41,594)
USDA user fees	202,000	185,000	144,194	40,806
Other	17,700	15,000	2,302	12,698
Total current expenditures	<u>16,211,100</u>	<u>15,069,500</u>	<u>12,771,553</u>	<u>2,297,947</u>
Capital outlay	-	-	867,546	(867,546)
Total capital expenditures	<u>-</u>	<u>-</u>	<u>867,546</u>	<u>(867,546)</u>
Total expenditures	<u>16,211,100</u>	<u>15,069,500</u>	<u>13,639,099</u>	<u>1,430,401</u>
Excess of (deficiency in) revenue over expenditures	<u>\$ (373,850)</u>	<u>(135,800)</u>	<u>1,660,800</u>	<u>1,796,600</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance From Final</u>
Revenue			
Grants	\$ 5,443,626	4,451,696	(991,930)
Total revenue	<u>5,443,626</u>	<u>4,451,696</u>	<u>(991,930)</u>
Expenditures			
Program	5,443,626	4,451,696	991,930
Total expenditures	<u>5,443,626</u>	<u>4,451,696</u>	<u>991,930</u>
Excess of revenue over expenditures	<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, 2021

	Budget	Actual	Variance From Final
Revenue			
Grants	\$ 5,130,000	700,117	(4,429,883)
Total revenue	5,130,000	700,117	(4,429,883)
Expenditures			
Program	5,130,000	700,117	4,429,883
Total expenditures	5,130,000	700,117	4,429,883
Excess of revenue over expenditures	\$ —	—	—

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, 2021

	General fund	MAP fund	ATP fund	Nonmajor - other grants fund	Total
Cash flows from operating activities					
Change in net position	\$ 2,452,775	-	-	-	2,452,775
Adjustments to reconcile increase in net position to net cash provided by (used in) operating activities					
Loss on disposal of assets	1,515	-	-	-	1,515
Net realized and unrealized gains on investments	(7,431)	-	-	-	(7,431)
Depreciation	74,057	-	-	-	74,057
Change in operating assets and liabilities					
Assessments receivable	(277,592)	-	-	-	(277,592)
Claims receivable	-	(524,209)	526,286	(4,043)	(1,966)
Other receivables	(64,248)	-	-	-	(64,248)
Prepaid expenses	(7,654)	-	-	-	(7,654)
Accounts payable	315,582	490,072	(73,173)	-	732,481
Accrued expenses	173,042	-	-	-	173,042
Deferred rent	344	-	-	-	344
Net cash provided by (used in) operating activities	<u>2,660,390</u>	<u>(34,137)</u>	<u>453,113</u>	<u>(4,043)</u>	<u>3,075,323</u>
Cash flows from investing activities					
Purchases of capital assets	(867,547)	-	-	-	(867,547)
Net cash used in investing activities	<u>(867,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(867,547)</u>
Cash flows from financing activities					
Purchase of investments	(1,784,281)	-	-	-	(1,784,281)
Decrease (increase) in due from other funds	(232,026)	578,432	(350,449)	4,043	-
Net cash provided by (used in) financing activities	<u>(2,016,307)</u>	<u>578,432</u>	<u>(350,449)</u>	<u>4,043</u>	<u>(1,784,281)</u>
Increase (decrease) in cash and cash equivalents	(223,464)	544,295	102,664	-	423,495
Cash and cash equivalents at beginning of year	<u>1,454,280</u>	<u>281,603</u>	<u>54,461</u>	<u>-</u>	<u>1,790,344</u>
Cash and cash equivalents at end of year	<u>\$ 1,230,816</u>	<u>825,898</u>	<u>157,125</u>	<u>-</u>	<u>2,213,839</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, 2021

	Budget	Actual	Variance
Marketing			
Consumer	\$ 1,710,000	1,590,374	119,626
Food Service	900,000	832,810	67,190
Digital/Measurement	250,000	274,785	(24,785)
Ingredient	40,000	35,741	4,259
Retail	487,500	476,750	10,750
Nutrition	650,000	654,176	(4,176)
Research and Analysis	500,000	494,314	5,686
Program Implementation	1,838,000	1,701,205	136,795
International Marketing	2,525,500	2,010,749	514,751
Total Marketing	8,901,000	8,070,904	830,096
Research and Analysis			
Potato Research Advisory Committee	39,594	(1,170)	40,764
Alliance for Potato Research and Education	500,000	500,000	-
Administrative Expenses	275,650	228,228	47,422
National Fry Processor Trials	236,156	154,308	81,848
National Chip Program	958,600	789,190	169,410
Total Research and Analysis	2,010,000	1,670,556	339,444
Industry Outreach			
Program Implementation	59,000	29,288	29,712
Industry Committee and Grower Relations	220,000	213,828	6,172
Policy	155,000	142,527	12,473
Total Industry Outreach	434,000	385,643	48,357
Sponsorships	18,500	13,500	5,000
Annual Meeting	75,000	55,408	19,592
Special Projects	1,000,000	41,341	958,659
Contingency Fund	25,000	-	25,000
Total Program Expenditures	\$ <u>12,463,500</u>	<u>10,237,352</u>	<u>2,226,148</u>

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, 2021

	Budget	Actual	Variance
Personnel costs	\$ 1,750,000	1,721,120	28,880
Administrative committee travel	15,000	31,508	(16,508)
Executive committee travel	6,500	36,697	(30,197)
Staff and field operations travel	–	3,073	(3,073)
Professional services	192,500	111,713	80,787
Office expenses	242,000	238,002	3,998
Office lease	200,000	245,592	(45,592)
USDA user fees	185,000	144,194	40,806
Other operating expenses	15,000	2,302	12,698
Total administrative expenditures	\$ 2,606,000	2,534,201	71,799
 Reconciliation to U.S. GAAP basis			
Capital outlay		867,546	
Total administrative expenditures per statement of activities		3,401,747	

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing Year 2020 Expenditures Incurred in Fiscal Year 2021			
Central America			
Foodservice	\$ 295,000	187,247	107,753
Retail	145,000	95,841	49,159
Consumer/PPM	<u>86,000</u>	<u>30,506</u>	<u>55,494</u>
Total Central America	526,000	313,594	212,406
China			
Foodservice	415,000	372,018	42,982
Retail	95,000	139,053	(44,053)
Ingredient	30,000	6,065	23,935
Consumer/PPM	120,000	193,392	(73,392)
Market Access & Implementation	<u>30,000</u>	<u>17,647</u>	<u>12,353</u>
Total China	690,000	728,175	(38,175)
Japan			
Foodservice	405,000	256,273	148,727
Retail	113,000	78,362	34,638
Consumer/PPM	<u>110,000</u>	<u>146,601</u>	<u>(36,601)</u>
Total Japan	628,000	481,236	146,764
Malaysia			
Foodservice	260,000	202,969	57,031
Retail	145,000	135,603	9,397
Consumer/PPM	<u>82,000</u>	<u>64,247</u>	<u>17,753</u>
Total Malaysia	487,000	402,819	84,181

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, MAP Fund
Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing Year 2020 Expenditures Incurred in Fiscal Year 2021			
Mexico			
Foodservice	\$ 250,000	193,166	56,834
Retail	140,000	151,681	(11,681)
Consumer/PPM	147,000	141,196	5,804
Market Access & Implementation	<u>50,000</u>	<u>38,140</u>	<u>11,860</u>
Total Mexico	587,000	524,183	62,817
Myanmar			
Foodservice	136,000	55,523	80,477
Retail	65,000	33,980	31,020
Consumer/PPM	<u>20,000</u>	<u>20,122</u>	<u>(122)</u>
Total Myanmar	221,000	109,625	111,375
Philippines			
Foodservice	250,000	158,731	91,269
Retail	100,000	49,081	50,919
Ingredient	-	1,298	(1,298)
Consumer/PPM	<u>85,000</u>	<u>105,768</u>	<u>(20,768)</u>
Total Philippines	435,000	314,878	120,122
South Korea			
Foodservice	295,000	283,742	11,258
Retail	105,000	128,935	(23,935)
Ingredient	39,000	-	39,000
Consumer/PPM	<u>110,000</u>	<u>111,960</u>	<u>(1,960)</u>
Total South Korea	549,000	524,637	24,363

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, MAP Fund
Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing Year 2020 Expenditures Incurred in Fiscal Year 2021			
Taiwan			
Foodservice	\$ 146,000	151,409	(5,409)
Retail	90,000	80,021	9,979
Consumer/PPM	<u>85,000</u>	<u>91,094</u>	<u>(6,094)</u>
Total Taiwan	321,000	322,524	(1,524)
Thailand			
Foodservice	<u>220,000</u>	<u>210,762</u>	<u>9,238</u>
Total Thailand	220,000	210,762	9,238
Vietnam			
Foodservice	150,000	80,755	69,245
Retail	70,000	78,683	(8,683)
Ingredient	20,000	14,593	5,407
Consumer/PPM	<u>85,000</u>	<u>97,202</u>	<u>(12,202)</u>
Total Vietnam	325,000	271,233	53,767
Global Evaluation			
Representative Meeting	103,626	-	103,626
Market Evaluation	35,000	77,500	(42,500)
Consumer Research	50,000	25,000	25,000
Consumer Education	60,000	30,790	29,210
Trade Education	<u>95,000</u>	<u>49,545</u>	<u>45,455</u>
Total Global Evaluation	343,626	182,835	160,791
SEED PROMOTION			
Global Resources			
Team Seed	<u>-</u>	<u>600</u>	<u>(600)</u>
Total Global Resources	-	600	(600)

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, MAP Fund
Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing Year 2020 Expenditures Incurred in Fiscal Year 2021			
Bangladesh			
Market Development	\$ 25,000	6,160	18,840
Total Bangladesh	25,000	6,160	18,840
Cuba			
Variety Trials	30,000	36,645	(6,645)
Market Development	20,000	16,750	3,250
Trade Education	10,000	900	9,100
Total Cuba	60,000	54,295	5,705
Morocco			
Market Development	26,000	4,140	21,860
Total Morocco	26,000	4,140	21,860
Total Seed Promotion	111,000	65,195	45,805
Marketing Year 2020 Expenditures	\$ 5,443,626	4,451,696	991,930

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Global Evaluation	\$ 503,525	97,270	406,255
Burma/Myanmar			
Consumer Communications	20,203	11,357	8,846
Foodservice	27,000	-	27,000
Ingredient	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total Burma/Myanmar	152,203	11,357	140,846
Central America			
Ingredient	54,978	-	54,978
Market Access & Implementation	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total Central America	119,978	-	119,978
Greater China			
Foodservice	295,000	-	295,000
Retail	35,095	9,412	25,683
Ingredient	100,000	33,446	66,554
Market Access & Implementation	<u>89,351</u>	<u>20</u>	<u>89,331</u>
Total Greater China	519,446	42,878	476,568
Indonesia			
Foodservice	50,000	-	50,000
Retail	75,000	-	75,000
Ingredient	54,978	-	54,978
Market Access & Implementation	<u>120,170</u>	<u>-</u>	<u>120,170</u>
Total Indonesia	300,148	-	300,148
Japan			
Retail	31,862	45,176	(13,314)
Ingredient	58,945	-	58,945
Market Access & Implementation	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Total Japan	170,807	45,176	125,631

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, ATP Fund
Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Malaysia			
Consumer/PPM	\$ 20,555	–	20,555
Total Malaysia	20,555	–	20,555
Mexico			
Foodservice	214,528	103,321	111,207
Retail	121,759	52,723	69,036
Consumer/PPM	7,160	11,505	(4,345)
Market Access & Implementation	110,000	–	110,000
Total Mexico	453,447	167,549	285,898
Philippines			
Foodservice	41,529	3,530	37,999
Ingredient	54,978	–	54,978
Total Philippines	96,507	3,530	92,977
Saudi Arabia			
Foodservice	169,089	24,785	144,304
Retail	55,000	4,658	50,342
Ingredient	55,000	–	55,000
Total Saudi Arabia	279,089	29,443	249,646
South Korea			
Ingredient	104,978	79,989	24,989
Consumer/PPM	33,098	33,102	(4)
Total South Korea	138,076	113,091	24,985
Taiwan			
Ingredient	128,192	–	128,192
Total Taiwan	128,192	–	128,192

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, ATP Fund
Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Thailand			
Foodservice	\$ 200,000	25,567	174,433
Retail	120,000	1,000	119,000
Ingredient	<u>64,980</u>	<u>—</u>	<u>64,980</u>
Total Thailand	384,980	26,567	358,413
UAE			
Foodservice	99,075	34,423	64,652
Retail	50,000	3,870	46,130
Ingredient	<u>75,759</u>	<u>53,432</u>	<u>22,327</u>
Total UAE	224,834	91,725	133,109
Vietnam			
Foodservice	75,000	—	75,000
Ingredient	<u>55,000</u>	<u>—</u>	<u>55,000</u>
Total Vietnam	130,000	—	130,000
Seed Global Resources			
Maintenance Market Travel	73,992	32,856	41,136
New Market Exploration, Evaluation, & Assessment	56,401	5,825	50,576
International Standards Resources	<u>14,340</u>	<u>—</u>	<u>14,340</u>
Total Seed Global Resources	144,733	38,681	106,052
Seed State Programs			
Colorado (CPAC)	75,030	32,850	42,180
Oregon (OPC)	<u>130,000</u>	<u>—</u>	<u>130,000</u>
Total Seed State Programs	205,030	32,850	172,180
Total Seed Promotion	<u>349,763</u>	<u>71,531</u>	<u>278,232</u>
Total ATP Program Expenditures	\$ <u>3,971,550</u>	<u>700,117</u>	<u>3,271,433</u>

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Agreement 2020-05 (Expires 6/30/2021)			
Burma/Myanmar Potato Product Samples	\$ 20,000	–	20,000
Central America Fresh Potato Samples – Chip Stock	20,000	13,921	6,079
China Fresh Potato Samples – Chip Stock	25,000	–	25,000
Japan Product Sampling - Ingredient	10,000	–	10,000
Malaysia Dehydrated Potato Product Samples	10,000	–	10,000
Mexico Dehydrated Potato Product Samples	20,000	–	20,000
Philippines Dehydrated Potato Product Samples	25,000	–	25,000
South Korea Dehydrated Potato Product Samples	10,000	3,555	6,445
Thailand Dehydrated Potato Product Samples	10,000	–	10,000
Vietnam Dehydrated Potato Product Samples	15,000	13,073	1,927
Guatemala Seed Potato Variety Trial Samples	30,000	3,000	27,000
Bangladesh Seed Potato Variety Trial Samples	25,000	–	25,000
Morocco Seed Potato Variety Trial Samples	45,000	9,567	35,433
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 265,000	43,116	221,884

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, 2021

	Budget	Actual	Variance
Agreement 2018-07 (Expired 7/31/2020)			
Taiwan Non-tariff Barriers	\$ 179,000	–	179,000
Agreement 2020-13 (Expires 6/30/2025)			
U.S. Fresh & Seed Potato Exports	275,000	45,000	230,000
Total Expenditures	\$ 454,000	45,000	409,000

See the accompanying independent auditor's report.

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Capital Assets
Year Ended June 30, 2021

Date of purchase	Item	Cost
Office Furniture		
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
September 2007	Kitchen refrigerator	743
November 2006	File cabinets and shelves	957
January 1990	Lateral file	395

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Capital Assets
Year Ended June 30, 2021

Date of purchase	Item	Cost
Office Furniture, Continued		
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)
	Total office furniture	<u>99,303</u>
Office Equipment		
June 2020	Apple Computer	1,099
May 2021	ITO Solutions	1,195
February 2021	Sony Alpha a660 APS-C Camera Bundle	2,180
January 2021	Induction Cooking System	1,538
January 2021	ITO Solutions	1,195
November 2020	Apple Computer	3,357
September 2020	ITO Solutions	1,670
September 2020	ITO Solutions	1,082
August 2020	MacBook Air	1,299
August 2020	A/V System	162
July 2020	MacBook Pro	1,299
July 2020	ITO Solutions	2,535
June 2020	MacBook Pro	2,099
June 2020	Television (part of A/V System)	414
June 2020	A/V System	1,280
May 2020	ITO Solutions	2,535

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Capital Assets
Year Ended June 30, 2021

Date of purchase	Item	Cost
Office Equipment, Continued		
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
August 2019	Surface Tablet	1,044
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
	Auditor rounding	(1)
	Total office equipment	<u>130,315</u>
Vehicles		
May 2021	2017 Chevrolet Silverado	13,495
June 2017	2017 Chevrolet Silverado	49,752
Vehicles		
March 2016	2016 Ford E3K 32 foot truck	122,381
	Total vehicles	<u>185,628</u>
Construction in Progress		
June 2021	Leasehold improvements	835,442
		<u>835,442</u>
	Total capital assets	<u><u>\$ 1,250,688</u></u>

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, 2021, and the related notes to the financial statements, which collectively comprise Potatoes USA’s basic financial statements, and have issued our report thereon dated February 17, 2022.

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.

**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*.

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.

February 17, 2022

**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, 2021. 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, 2021.

**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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Kuendinger, Cochrane & Congle, P.C.

February 17, 2022

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal grantor/pass-through grantor/program or cluster title	Identifying Number	Assistance listing number	Federal expenditures	Passed through to sub-recipients
U.S. Department of Agriculture				
Direct Programs				
Market Access Program	Market Year 20	10.601	\$ 4,451,696	–
Agricultural Trade Promotion Program	ATP-2019	10.618	700,117	32,850
Total MAP/ATP Cluster			<u>5,151,813</u>	<u>32,850</u>
Technical Assistance for Specialty Crops Program	2020-13	10.604	<u>45,000</u>	<u>–</u>
Quality Samples Program	2020-05	10.605	<u>43,116</u>	<u>–</u>
Total Direct Programs			<u>5,239,929</u>	<u>32,850</u>
Total U.S. Department of Agriculture			<u>5,239,929</u>	<u>32,850</u>
Total Expenditures of Federal Awards			<u>\$ 5,239,929</u>	<u>32,850</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, 2021. 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.

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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. No significant deficiencies 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, ALN 10.601 and U.S. Department of Agriculture, Agricultural Trade Promotion Program, ALN 10.618.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Potatoes USA was determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

None.

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, 2021

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, 2021.

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, 2021.

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.

Kuendinger, Cordia & Congle, P.C.

February 17, 2022