

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

**Financial Statements and
Supplementary Information**

June 30, 2023

(With Independent Auditor's Report Thereon)

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**

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise Potatoes USA's basic financial statements as listed in the table of contents.

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 Potatoes USA as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Potatoes USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Potatoes USA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information which may raise substantial doubt shortly thereafter.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Potatoes USA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about Potatoes USA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

GAAP requires that the management's discussion and analysis and the General Fund and major special revenue funds budgetary comparison 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 GAAS, 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Potatoes USA's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements 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 March 12, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Potatoes USA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Potatoes USA's internal control over financial reporting and compliance.

Kundinger, Corder & Montoya, P.C.

March 12, 2024

National Potato Promotion Board d/b/a Potatoes USA

Management's Discussion and Analysis

June 30, 2023

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, 2023. This annual report consists of a series of financial statements. The Statement of Net Position (on page 9) and the Statement of Activities (on page 10) 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 \$12,726,440 as of June 30, 2023, reflecting an increase in net position of \$111,016 since June 30, 2022.
- Potatoes USA's general fund ending fund balance totaled \$11,028,061 at June 30, 2023. This ending fund balance includes \$2,616,000 in funds assigned for specific purposes by the Board of Directors, \$281,017 in non-spendable funds, and \$8,131,044 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 2023, 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>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,113,244	1,547,939
Investments	7,566,015	7,143,397
Assessments receivable	1,848,480	2,155,817
Claims receivable	4,895,144	4,000,928
Other receivables	9,604	5,690
Prepaid items	281,017	244,466
Capital assets, net	<u>3,450,660</u>	<u>3,868,732</u>
Total assets	\$ <u>19,164,164</u>	<u>18,966,969</u>
Liabilities		
Accounts payable	\$ 4,685,443	4,467,512
Deferred revenue	—	39,800
Lease liabilities	<u>1,752,281</u>	<u>1,844,233</u>
Total liabilities	<u>6,437,724</u>	<u>6,351,545</u>
Net position		
Net investment in capital assets	1,698,379	2,024,499
Unrestricted	<u>11,028,061</u>	<u>10,590,925</u>
Net position	\$ <u>12,726,440</u>	<u>12,615,424</u>

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

	<u>2023</u>	<u>2022</u>
Revenue		
Assessments	\$ 15,159,869	15,014,215
Contributions	469,244	447,167
Grants	7,011,149	5,653,457
Other revenue	<u>357,734</u>	<u>22,260</u>
Total revenue	<u>22,997,996</u>	<u>21,137,099</u>
Expenditures		
Program	19,360,421	18,305,232
Operating	<u>3,526,559</u>	<u>3,700,990</u>
Total expenditures	<u>22,886,980</u>	<u>22,006,222</u>
Change in net position	\$ <u>111,016</u>	<u>(869,123)</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>2023</u>	<u>2022</u>
Assessments	\$ 15,159,869	15,014,215
Contributions	469,244	447,167
Investment return	240,484	(7,740)
Other revenue	<u>117,250</u>	<u>30,000</u>
Total revenue	<u>\$ 15,986,847</u>	<u>15,483,642</u>

- Potatoes USA recorded total assessments revenue of \$15,159,869 during the year ended June 30, 2023. This is an increase of \$145,654 from the year ended June 30, 2022.
- Potatoes USA receives contributions from major fry processors, chip processors and state potato organizations for its National Fry Processor Trials (NFPT) and National Chip Program (NCP) programs. Contributions recognized during the year ended June 30, 2023 total \$469,244 which is similar to prior year contributions. Unspent amounts remaining at June 30, 2023 are reflected in the unassigned balance.
- Investment return is generated from Potatoes USA's investments. Potatoes USA earned \$240,484 during the year ended June 30, 2023. This is an increase of \$248,224 from the year ended June 30, 2022 due to an increase 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 \$5,696,449 for the year ended June 30, 2023 of which \$5,016,766 was expended. This amount awarded was \$395,327 lower than the previous award as there was more carryover amounts approved in the prior 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 period February 1, 2019 through September 30, 2021. It has been extended through September 30, 2024. Available funds at September 30, 2023 total \$230,511.

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 (QSP), 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 (TASC), 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 increased by \$1,055,189 to \$19,360,421 due to increased travel and a push to maximize grant funding. Operating expenditures decreased by (\$174,431) to \$3,526,559 due to decreased office lease expenses and office overhead.

Capital Assets

During the year ended June 30, 2023, Potatoes USA acquired \$11,159 of office equipment, \$16,097 in office furniture, and \$32,556 in leasehold improvements, bringing its capital asset balance to \$3,450,660, net of accumulated depreciation of \$648,430 and accumulated amortization of \$272,535. Depreciation expense in 2023 totaled \$334,435 and amortization expense in 2023 totaled \$136,268.

General Fund Budgetary Highlights

The most significant budgeted fund is the General Fund.

	<u>Final Budget</u>	<u>Actual</u>
Beginning fund balance	\$ 10,590,925	10,590,925
Revenue	16,095,000	15,986,847
Expenditures	(16,525,500)	(15,549,711)
Ending fund balance	\$ <u>10,160,425</u>	<u>11,028,061</u>

Actual revenue was under budgetary expectations primarily due to assessments. The contribution and other revenues exceeded their respective budgets.. Expenditures were under budget in several areas, with the most significant decrease in program spending largely due to personnel and program changes related to anticipated supply.

The 2023 General Fund budget was amended during the year for expected revenues, expenses, and additional special projects.

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, 2023

	General fund	MAP fund	ATP fund	Nonmajor– other grants fund	Total	Adjustments	Statement of net position
Assets							
Cash and cash equivalents (note 2)	\$ 1,050,781	32,621	29,842	–	1,113,244	–	1,113,244
Investments (note 2)	7,566,015	–	–	–	7,566,015	–	7,566,015
Assessments receivable	1,848,480	–	–	–	1,848,480	–	1,848,480
Claims receivable	–	3,348,319	1,504,941	41,884	4,895,144	–	4,895,144
Other receivables	9,604	–	–	–	9,604	–	9,604
Interfund balances (note 3)	2,061,168	–	2,939,664	–	5,000,832	(5,000,832)	–
Prepaid items	263,617	17,400	–	–	281,017	–	281,017
Capital assets (note 4)							
Right-of-use lease (note 6)	–	–	–	–	–	1,930,456	1,930,456
Office furniture	–	–	–	–	–	1,641,207	1,641,207
Office equipment	–	–	–	–	–	736,715	736,715
Vehicles	–	–	–	–	–	63,247	63,247
Less accumulated depreciation and amortization	–	–	–	–	–	(920,965)	(920,965)
Capital assets, net	–	–	–	–	–	3,450,660	3,450,660
Total assets	\$ 12,799,665	3,398,340	4,474,447	41,884	20,714,336	(1,550,172)	19,164,164
Liabilities							
Accounts payable	\$ 995,328	1,980,646	933,193	–	3,909,167	–	3,909,167
Accrued expenses	776,276	–	–	–	776,276	–	776,276
Interfund balances (note 3)	–	1,417,694	3,541,254	41,884	5,000,832	(5,000,832)	–
Lease liabilities (note 6)	–	–	–	–	–	1,752,281	1,752,281
Total liabilities	1,771,604	3,398,340	4,474,447	41,884	9,686,275	(3,248,551)	6,437,724
Fund Balances/Net Position							
Fund balances (note 5)							
Non-spendable	281,017	–	–	–	281,017	(281,017)	–
Assigned	2,616,000	–	–	–	2,616,000	(2,616,000)	–
Unassigned	8,131,044	–	–	–	8,131,044	(8,131,044)	–
Total fund balances	11,028,061	–	–	–	11,028,061	(11,028,061)	–
Commitments and contingencies (notes 6 through 9)							
Total liabilities and fund balances	\$ 12,799,665	3,398,340	4,474,447	41,884	20,714,336		
Net Position							
Net investment in capital assets						1,698,379	1,698,379
Unrestricted						11,028,061	11,028,061
Total net position						12,726,440	12,726,440

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, 2023

	General fund	MAP fund	ATP fund	Nonmajor - other grants fund	Total	Adjust- ments	Statement of net activities
Revenue							
Assessments	\$ 15,159,869	–	–	–	15,159,869	–	15,159,869
Contributions	469,244	–	–	–	469,244	–	469,244
Grants	–	5,016,766	1,939,974	54,409	7,011,149	–	7,011,149
Other revenue	357,734	–	–	–	357,734	–	357,734
Total revenue	<u>15,986,847</u>	<u>5,016,766</u>	<u>1,939,974</u>	<u>54,409</u>	<u>22,997,996</u>	<u>–</u>	<u>22,997,996</u>
Expenditures							
Program	12,349,272	5,016,766	1,939,974	54,409	19,360,421	–	19,360,421
Personnel costs	1,939,755	–	–	–	1,939,755	–	1,939,755
Executive committee travel	116,520	–	–	–	116,520	–	116,520
Administrative committee travel	112,838	–	–	–	112,838	–	112,838
Staff and field operations travel	82,672	–	–	–	82,672	–	82,672
Professional services	194,440	–	–	–	194,440	–	194,440
Office	580,574	–	–	–	580,574	44,316	624,890
USDA user fees	113,702	–	–	–	113,702	–	113,702
Depreciation	–	–	–	–	–	334,435	334,435
Special Project - New Building	8,784	–	–	–	8,784	–	8,784
Other	(1,477)	–	–	–	(1,477)	–	(1,477)
Total current expenditures	<u>15,497,080</u>	<u>5,016,766</u>	<u>1,939,974</u>	<u>54,409</u>	<u>22,508,229</u>	<u>378,751</u>	<u>22,886,980</u>
Capital outlay	<u>52,631</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,631</u>	<u>(52,631)</u>	<u>–</u>
Total capital outlay	<u>52,631</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>52,631</u>	<u>(52,631)</u>	<u>–</u>
Total expenditures	<u>15,549,711</u>	<u>5,016,766</u>	<u>1,939,974</u>	<u>54,409</u>	<u>22,560,860</u>	<u>326,120</u>	<u>22,886,980</u>
Excess of revenue over expenditures	<u>437,136</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>437,136</u>	<u>(326,120)</u>	<u>111,016</u>
Fund balances at beginning of year	<u>10,590,925</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,590,925</u>	<u>2,024,499</u>	<u>12,615,424</u>
Fund balances at end of year	<u>\$ 11,028,061</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,028,061</u>	<u>1,698,379</u>	<u>12,726,440</u>

See the accompanying notes to the financial statements.

National Potato Promotion Board d/b/a Potatoes USA

Notes to Financial Statements

June 30, 2023

(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, is 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 the 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, 2023, 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 \$5,000 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) 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 generally accepted accounting principles (GAAP) as capital outlays are not budgeted.

(k) 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.

(l) 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.

(m) 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.

National Potato Promotion Board d/b/a Potatoes USA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(n) Estimates

The preparation of financial statements in conformity with GAAP 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.

(o) 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.

(p) Subsequent Events

Potatoes USA has evaluated subsequent events through March 12, 2024, the date the financial statements were available to be issued.

(2) Cash and Cash Equivalents and Investments

At June 30, 2023, the carrying value of Potatoes USA's cash and investments are reflected in the financial statements as follows:

Cash and cash equivalents	\$ 1,113,244
Investments	<u>7,566,015</u>
Total cash and investments	<u>\$ 8,679,259</u>

At June 30, 2023, Potatoes USA's bank balances and investments consist of the following:

FDIC insured bank deposits	\$ 250,000
Collateralized bank deposits	863,244
Collateralized U.S. Treasury CDs	685,253
Money market fund	<u>6,880,762</u>
Total cash and investments	<u>\$ 8,679,259</u>

National Potato Promotion Board d/b/a Potatoes USA

Notes to Financial Statements

(2) Cash and Cash Equivalents and Investments, Continued

At June 30, 2023, amounts are invested in a money market fund that bears an interest rate of 5.020% and U.S. treasury notes that bear interest rates ranging from 0.892% to 1.615%.

At June 30, 2023, Potatoes USA held \$6,880,762 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, 2023 is \$6,880,762.

(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, 2023, the following balances were due between funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	MAP Fund	\$ 1,417,694
General Fund	ATP Fund	601,590
General Fund	Nonmajor - other grants fund	41,884
ATP Fund	MAP Fund	<u>2,939,664</u>
		<u>\$ 5,000,832</u>

(4) Capital Assets

Capital assets activity during the year ended June 30, 2023 included the following:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2023</u>
Leasehold improvements	\$ 1,466,928	32,556	–	1,499,484
Office furniture	132,807	8,916	–	141,723
Office equipment	725,556	11,159	–	736,715
Vehicles	63,247	–	–	63,247
Lease right-of-use asset (note 6)	<u>1,930,456</u>	<u>–</u>	<u>–</u>	<u>1,930,456</u>
Total capital assets	4,318,994	52,631	–	4,371,625
Less accumulated amortization	(136,267)	(136,268)	–	(272,535)
Less accumulated depreciation	<u>(313,995)</u>	<u>(334,435)</u>	<u>–</u>	<u>(648,430)</u>
Capital assets, net	<u>\$ 3,868,732</u>	<u>(418,072)</u>	<u>–</u>	<u>3,450,660</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, 2023 is \$281,017 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, 2023.

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 still holds a cash reserve of \$500,000 to satisfy the requirement of a USDA mandate. These funds are designed to wind down the business of Potatoes USA if it were to ever go out of existence. The Board of Directors allocated an additional \$1,500,000 to be used in the event of an emergency for a total cash reserve of \$2,000,000. There is an assigned \$616,000 in shut-down reserves for the NCP 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, 2023.

National Potato Promotion Board d/b/a Potatoes USA

Notes to Financial Statements

(6) Leases

Potatoes USA is obligated under a lease for office space in Denver, Colorado that was entered into in March 2021, and which expires August 2035. The leased property under this capital lease as of June 30, 2023 had a total cost of \$1,930,456, accumulated amortization of \$272,535, and a net book value of \$1,657,921.

Potatoes USA's estimated future principal and interest payments under this lease as of the years ending June 30 are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 98,061	110,157	208,218
2025	104,577	103,642	208,219
2026	111,525	96,693	208,218
2027	118,935	89,283	208,218
2028	126,837	81,381	208,218
Thereafter	<u>1,192,346</u>	<u>299,884</u>	<u>1,492,230</u>
Total future minimum rental payments	<u>\$1,752,281</u>	<u>781,040</u>	<u>2,533,321</u>

(7) Retirement Plan

Effective July 1, 1990, Potatoes USA established a defined contribution, profit sharing plan (the Plan) administered by National Benefit Services (NBS). 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, 2023, Potatoes USA contributed \$184,928 to the Plan.

(8) Commitment and Contingencies

Potatoes USA has contracted with independent representatives in Taiwan, Japan, South Korea, China, Malaysia, Mexico, Central America, Vietnam, the Philippines, and Thailand to administer the programs funded by the Market Access Program (MAP) of the USDA. Potatoes USA has contracted with independent representatives in Myanmar, Burma, Central America, 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 (ATP) of the USDA. The contracts are for one year from July 1, 2022 to June 30, 2023. 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, 2023, 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	\$ 11,028,061
Capital assets used in governmental activities not reported in the Governmental Funds	3,450,660
Lease liability used in governmental activities and is not due and payable in the current year, and therefore, is not reported in the Governmental Funds	<u>(1,752,281)</u>
Total net position	\$ <u>12,726,440</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, 2023:

Net change in fund balance – Governmental Funds	\$ 437,136
Difference in depreciation, capital outlay, and lease liability	<u>(326,120)</u>
Change in net position of Governmental Activities	\$ <u>111,016</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, 2023

	Original Budget	Final Budget	Actual	Variance From Final
Revenue				
Assessments	\$ 15,400,000	15,400,000	15,159,869	(240,131)
Contributions	450,000	460,000	469,244	9,244
Other revenue	85,000	235,000	357,734	122,734
Total revenue	<u>15,935,000</u>	<u>16,095,000</u>	<u>15,986,847</u>	<u>(108,153)</u>
Expenditures				
Program	12,973,000	13,049,000	12,349,272	699,728
Personnel costs	1,850,000	2,200,000	1,939,755	260,245
Executive committee travel	90,000	90,000	116,520	(26,520)
Administrative committee travel	132,000	132,000	112,838	19,162
Staff and field operations travel	60,000	60,000	82,672	(22,672)
Office	566,000	561,000	580,574	(19,574)
Professional services	188,000	156,000	194,440	(38,440)
USDA user fees	200,000	165,000	113,702	51,298
Special Project - New Building	-	110,000	8,784	101,216
Other	2,500	2,500	(1,477)	3,977
Total current expenditures	<u>16,061,500</u>	<u>16,525,500</u>	<u>15,497,080</u>	<u>1,028,420</u>
Capital outlay	-	-	52,631	(52,631)
Total capital expenditures	<u>-</u>	<u>-</u>	<u>52,631</u>	<u>(52,631)</u>
Total expenditures	<u>16,061,500</u>	<u>16,525,500</u>	<u>15,549,711</u>	<u>975,789</u>
Excess of (deficiency in) revenue over expenditures	<u>\$ (126,500)</u>	<u>(430,500)</u>	<u>437,136</u>	<u>867,636</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final</u>
Revenue				
Grants	\$ 5,242,949	6,496,449	5,016,766	(1,479,683)
Total revenue	<u>5,242,949</u>	<u>6,496,449</u>	<u>5,016,766</u>	<u>(1,479,683)</u>
Expenditures				
Program	5,242,949	6,496,449	5,016,766	1,479,683
Total expenditures	<u>5,242,949</u>	<u>6,496,449</u>	<u>5,016,766</u>	<u>1,479,683</u>
Excess of revenue over expenditures	<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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance From Final</u>
Revenue			
Grants	\$ 5,130,000	1,939,974	(3,190,026)
Total revenue	<u>5,130,000</u>	<u>1,939,974</u>	<u>(3,190,026)</u>
Expenditures			
Program	5,130,000	1,939,974	3,190,026
Total expenditures	<u>5,130,000</u>	<u>1,939,974</u>	<u>3,190,026</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
Schedule of Cash Flows, Governmental Funds
Year Ended June 30, 2023

	General fund	MAP fund	ATP fund	Nonmajor - other grants fund	Total
Cash flows from operating activities					
Change in net position	\$ 111,016	-	-	-	111,016
Adjustments to reconcile increase in net position to net cash provided by (used in) operating activities					
Net realized and unrealized gains on investments	(2,367)	-	-	-	(2,367)
Depreciation	334,435	-	-	-	334,435
Change in operating assets and liabilities					
Assessments receivable	307,337	-	-	-	307,337
Claims receivable	-	(17,002)	(868,669)	(8,545)	(894,216)
Other receivables	(3,914)	-	-	-	(3,914)
Prepaid items	(40,312)	(2,267)	6,028	-	(36,551)
Accounts payable	(363,684)	(247,913)	556,602	-	(54,995)
Accrued expenses	272,926	-	-	-	272,926
Deferred revenue	(39,800)	-	-	-	(39,800)
Net cash provided by (used in) operating activities	<u>575,637</u>	<u>(267,182)</u>	<u>(306,039)</u>	<u>(8,545)</u>	<u>(6,129)</u>
Cash flows from investing activities					
Purchases of investments	(420,251)	-	-	-	(420,251)
Purchases of capital assets	(52,631)	-	-	-	(52,631)
Net cash used in investing activities	<u>(472,882)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(472,882)</u>
Cash flows from financing activities					
Decrease in lease liability	44,316	-	-	-	44,316
Decrease (increase) in due from other funds	(274,037)	(39,746)	305,238	8,545	-
Net cash provided by (used in) financing activities	<u>(229,721)</u>	<u>(39,746)</u>	<u>305,238</u>	<u>8,545</u>	<u>44,316</u>
Decrease in cash and cash equivalents	(126,966)	(306,928)	(801)	-	(434,695)
Cash and cash equivalents at beginning of year	<u>1,177,747</u>	<u>339,549</u>	<u>30,643</u>	<u>-</u>	<u>1,547,939</u>
Cash and cash equivalents at end of year	<u>\$ 1,050,781</u>	<u>32,621</u>	<u>29,842</u>	<u>-</u>	<u>1,113,244</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing			
Research and Analysis	\$ 600,000	696,899	(96,899)
Retail	410,000	248,962	161,038
Food Service	1,000,000	869,429	130,571
Digital/Measurement	350,000	303,830	46,170
Nutrition	875,000	868,037	6,963
Consumer	1,700,000	1,579,883	120,117
Program Implementation	2,340,000	2,150,019	189,981
International Marketing	2,575,000	2,499,584	75,416
Total Marketing	<u>9,850,000</u>	<u>9,216,643</u>	<u>633,357</u>
Industry Outreach			
Program Implementation	73,000	93,213	(20,213)
Industry Committee and Grower Relations	242,000	246,734	(4,734)
State & National Partnering	40,000	43,699	(3,699)
Policy	165,000	155,437	9,563
Total Industry Outreach	<u>520,000</u>	<u>539,083</u>	<u>(19,083)</u>
Research and Analysis			
Administrative	335,000	334,566	434
National Chip Program	959,000	899,298	59,702
National Fry Processor Trials	220,000	231,072	(11,072)
Potato Research Advisory Committee	36,000	7,882	28,118
Alliance for Potato Research and Education	500,000	500,000	-
Total Research and Analysis	<u>2,050,000</u>	<u>1,972,818</u>	<u>77,182</u>
Sponsorships	18,500	15,000	3,500
Annual Meeting	236,000	232,507	3,493
Summer and Winter Meetings	123,500	146,969	(23,469)
Special Projects	226,000	226,252	(252)
Contingency Fund	25,000	-	25,000
Total Program Expenditures	<u>\$ 13,049,000</u>	<u>12,349,272</u>	<u>699,728</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personnel costs	\$ 2,200,000	1,939,755	260,245
Executive committee travel	90,000	116,520	(26,520)
Administrative committee travel	132,000	112,838	19,162
Staff and field operations travel	60,000	82,672	(22,672)
Professional services	156,000	194,440	(38,440)
Office and insurance	381,000	397,636	(16,636)
Office lease	180,000	182,938	(2,938)
USDA user fees	165,000	113,702	51,298
Special Project - New Building	110,000	8,784	101,216
Other operating expenses	<u>2,500</u>	<u>(1,477)</u>	<u>3,977</u>
Total administrative expenditures	<u>\$ 3,476,500</u>	<u>3,147,808</u>	<u>328,692</u>
 Reconciliation to GAAP basis			
Capital outlay		<u>52,631</u>	
Total administrative expenditures per statement of activities		<u>3,200,439</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing Year 2022 Expenditures Incurred in Fiscal Year 2023			
Burma/Myanmar			
Foodservice	\$ 125,000	60,884	64,116
Retail	65,000	39,927	25,073
Consumer/PPM	63,000	52,711	10,289
Total Burma/Myanmar	253,000	153,522	99,478
Central America			
Foodservice	230,000	191,941	38,059
Retail	110,000	129,746	(19,746)
Consumer/PPM	98,000	76,773	21,227
Total Central America	438,000	398,460	39,540
China			
Foodservice	295,000	256,790	38,210
Retail	105,000	118,978	(13,978)
Consumer/PPM	150,000	162,558	(12,558)
Total China	550,000	538,326	11,674
Gulf Cooperation Council (GCC)			
Foodservice	135,000	27,283	107,717
Retail	125,000	40,285	84,715
Total GCC	260,000	67,568	192,432
Japan			
Foodservice	300,000	254,281	45,719
Retail	112,000	104,166	7,834
Total Japan	412,000	358,447	53,553
Malaysia			
Foodservice	265,000	224,161	40,839
Retail	125,000	138,253	(13,253)
Consumer/PPM	115,000	96,270	18,730
Total Malaysia	505,000	458,684	46,316

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, MAP Fund
Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing Year 2022 Expenditures Incurred in Fiscal Year 2023			
Mexico			
Foodservice	\$ 295,000	244,563	50,437
Retail	153,000	134,079	18,921
Consumer/PPM	160,000	153,193	6,807
Market Access & Implementation	50,000	42,211	7,789
Total Mexico	658,000	574,046	83,954
Philippines			
Foodservice	230,000	213,171	16,829
Retail	90,000	80,419	9,581
Consumer/PPM	125,000	115,156	9,844
Total Philippines	445,000	408,746	36,254
South Korea			
Foodservice	280,000	274,338	5,662
Retail	150,000	134,804	15,196
Consumer/PPM	130,000	134,522	(4,522)
Total South Korea	560,000	543,664	16,336
Taiwan			
Foodservice	210,000	190,614	19,386
Retail	100,000	90,693	9,307
Consumer/PPM	120,000	113,200	6,800
Total Taiwan	430,000	394,507	35,493
Thailand			
Foodservice	210,000	213,321	(3,321)
Retail	105,000	88,248	16,752
Consumer/PPM	104,000	94,654	9,346
Total Thailand	419,000	396,223	22,777

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, MAP Fund
Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Marketing Year 2022 Expenditures Incurred in Fiscal Year 2023			
Vietnam			
Foodservice	\$ 215,000	194,929	20,071
Retail	80,000	60,827	19,173
Consumer/PPM	85,000	100,007	(15,007)
Total Vietnam	<u>380,000</u>	<u>355,763</u>	<u>24,237</u>
Global Evaluation			
Representative Meeting	128,449	92,405	36,044
Market Evaluation	100,000	97,950	2,050
Consumer Research	58,000	80,000	(22,000)
Total Global Evaluation	<u>286,449</u>	<u>270,355</u>	<u>16,094</u>
SEED PROMOTION			
Cuba			
Variety Trials	40,000	44,982	(4,982)
Reverse Trade Mission	10,000	-	10,000
Trade Education	10,000	6,120	3,880
Market Development	10,000	3,035	6,965
Total Cuba	<u>70,000</u>	<u>54,137</u>	<u>15,863</u>
Central America			
Reverse Trade Mission	10,000	15,849	(5,849)
Trade Education	10,000	17,745	(7,745)
Market Development	10,000	10,724	(724)
Total Cuba	<u>30,000</u>	<u>44,318</u>	<u>(14,318)</u>
Total Seed Promotion	<u>100,000</u>	<u>98,455</u>	<u>1,545</u>
Marketing Year 2022 Expenditures	<u>\$ 5,696,449</u>	<u>5,016,766</u>	<u>679,683</u>

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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Global Evaluation			
Why Buy U.S. Potatoes?	\$ 130,213	142,370	(12,157)
Administrative Support Expenses	<u>67,552</u>	<u>67,551</u>	<u>1</u>
Total Global Evaluation	197,765	209,921	(12,156)
Bahrain			
Foodservice	<u>10,000</u>	<u>–</u>	<u>10,000</u>
Total Bahrain	10,000	–	10,000
Burma/Myanmar			
Consumer/PPM	8,846	18,098	(9,252)
Foodservice	25	–	25
Ingredient	<u>15,000</u>	<u>–</u>	<u>15,000</u>
Total Burma/Myanmar	23,871	18,098	5,773
Greater China			
Consumer/PPM	36,176	28,234	7,942
Foodservice	147,500	48,310	99,190
Retail	4,730	8,753	(4,023)
Ingredient	86,393	41,333	45,060
Market Access & Implementation	<u>30,000</u>	<u>19,770</u>	<u>10,230</u>
Total Greater China	304,799	146,400	158,399
Indonesia			
Market Access & Implementation	<u>25</u>	<u>–</u>	<u>25</u>
Total Indonesia	25	–	25
Japan			
Foodservice	63,726	100,167	(36,441)
Retail	<u>28,999</u>	<u>35,527</u>	<u>(6,528)</u>
Total Japan	92,725	135,694	(42,969)
Malaysia			
Foodservice	84,555	71,079	13,476
Consumer/PPM	<u>25</u>	<u>25,845</u>	<u>(25,820)</u>
Total Malaysia	84,580	96,924	(12,344)

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, ATP Fund
Budget and Actual
Year Ended June 30, 2023

	Budget	Actual	Variance
Mexico			
Foodservice	\$ 20,050	94,889	(74,839)
Retail	84,860	163,047	(78,187)
Consumer/PPM	186,546	202,874	(16,328)
Market Access & Implementation	(2,860)	–	(2,860)
Ingredient	25,000	–	25,000
Total Mexico	313,596	460,810	(147,214)
Philippines			
Foodservice	11,176	25,582	(14,406)
Ingredient	15,000	–	15,000
Total Philippines	26,176	25,582	594
Saudi Arabia			
Foodservice	137,601	60,366	77,235
Retail	47,816	44,290	3,526
Ingredient	30,000	–	30,000
Total Saudi Arabia	215,417	104,656	110,761
South Korea			
Ingredient	80,000	77,599	2,401
Consumer/PPM	57,500	55,087	2,413
Total South Korea	137,500	132,686	4,814
Taiwan			
Ingredient	28,486	32,627	(4,141)
Total Taiwan	28,486	32,627	(4,141)
Thailand			
Foodservice	67,000	65,803	1,197
Retail	106,211	29,249	76,962
Ingredient	82,814	–	82,814
Total Thailand	256,025	95,052	160,973

(Continued)

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Program Expenditures, ATP Fund
Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
UAE			
Foodservice	\$ 104,874	120,827	(15,953)
Retail	34,623	25,972	8,651
Ingredient	<u>85,832</u>	<u>50,119</u>	<u>35,713</u>
Total UAE	225,329	196,918	28,411
Vietnam			
Consumer/PPM	18,201	–	18,201
Foodservice	49,000	53,973	(4,973)
Ingredient	<u>15,000</u>	<u>–</u>	<u>15,000</u>
Total Vietnam	82,201	53,973	28,228
SEED			
Global Resources			
Maintenance Market Travel	25,961	50,796	(24,835)
New Market Exploration, Evaluation, & Assessment	2,642	–	2,642
International Standards Resources	<u>14,340</u>	<u>9,147</u>	<u>5,193</u>
Total Global Resources	42,943	59,943	(17,000)
State Programs			
Colorado (CPAC)	138,836	115,463	23,373
Oregon (OPC)	<u>127,000</u>	<u>55,227</u>	<u>71,773</u>
Total State Programs	265,836	170,690	95,146
Total ATP Program Expenditures	<u>\$ 2,307,274</u>	<u>1,939,974</u>	<u>367,300</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Agreement 2022-03 (Expires 6/30/2023)			
Burma/Myanmar Potato Product Samples	\$ 20,000	–	20,000
Central America Fresh Potato Samples – Chip Stock	40,000	–	40,000
China Fresh Potato Samples - Chip Stock	60,000	–	60,000
Gulf Corporation Council Potato & Product Samples	25,000	–	25,000
Japan Product Sampling	35,000	–	35,000
South Korea Dehydrated Potato Product Samples	10,000	–	10,000
Thailand Dehydrated Potato Product Samples	10,000	–	10,000
Vietnam Dehydrated Potato Product Samples	25,000	–	25,000
Central America Seed Potato Variety Trial Samples	25,000	19,626	5,374
Total Expenditures	\$ 250,000	19,626	230,374

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, 2023

	Budget	Actual	Variance
Agreement 2020-13 (Expires 6/30/2025)			
U.S. Fresh & Seed Potato Exports	\$ 230,000	34,783	195,217
Total Expenditures	\$ 230,000	34,783	195,217

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 National Potato Promotion Board d/b/a Potatoes USA which comprise the statement of net position as of June 30, 2023, and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2024.

Report on 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 opinion 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 or significant deficiencies may exist that were not identified.

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

Report on 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 organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

March 12, 2024



**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 identified as subject to audit 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Potatoes USA’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Potatoes USA’s compliance with the requirements of each major federal program as a whole

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Potatoes USA’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Potatoes USA’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Potatoes USA’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

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

Kundinger, Corder & Montoya, P.C.

March 12, 2024

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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 22	10.601	\$ 5,016,766	–
Agricultural Trade Promotion Program	ATP-2019	10.618	<u>1,939,974</u>	<u>170,690</u>
Total MAP/ATP Cluster			<u>6,956,740</u>	<u>170,690</u>
Technical Assistance for Specialty Crops Program	2020-13	10.604	<u>34,783</u>	<u>–</u>
Quality Samples Program	2022-03	10.605	<u>19,626</u>	<u>–</u>
Total Direct Programs			<u>7,011,149</u>	<u>170,690</u>
Total U.S. Department of Agriculture			<u>7,011,149</u>	<u>170,690</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,011,149</u></u>	<u><u>170,690</u></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, 2023. 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

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.

Note 3: Indirect Cost Rate

Potatoes USA has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: GBI Project

Potatoes USA volunteered to be the lead cooperator for the Global broad-based initiative “Transparency, Stocktaking, and Assessment of Front of Package Nutrition Labeling (FOPNL) Schemes”. Potatoes USA will act as the pass-through entity and, as such, was awarded \$800,000 to facilitate this initiative, of which \$500,000 was expended in the year ended 6/30/2023. The GBI is developing a website that tracks, simplifies, and translates a myriad of global front-of-pack nutrition and eco-labeling regulations into usable and actionable information. The website will be available to all cooperators on a subscription basis. Potatoes USA is managing this initiative on behalf of the following cooperators and USDA: U.S. Dairy Export Council (USDEC), National Confectioners Association, Almond Board of California, American Peanut Council, California Walnut Commission, Food Export – Midwest, Food Export – Northeast & Potatoes USA.

National Potato Promotion Board d/b/a Potatoes USA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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, 2023

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**

Opinion 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, 2023.

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, 2023.

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.
- 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.

Management's Responsibility

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance 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 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.

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, Corder & Montoya, P.C.

March 12, 2024