

CHRISTMAS TREE PROMOTION BOARD
FINANCIAL STATEMENTS
For the Years Ended July 31, 2020 and 2019

CHRISTMAS TREE PROMOTION BOARD

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INDEPENDENT AUDITOR'S REPORT

To the Christmas Tree Promotion Board
Howell, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Christmas Tree Promotion Board (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of July 31, 2020 and 2019, and the related statements of revenue and expenses – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial position of Christmas Tree Promotion Board as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for the for the years then ended in accordance with the basis of accounting as described in Note 2.

Other Matters

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and expenditures – actual compared to budget, schedule of expenditures – actual compared to budget, and schedule of cash receipts and disbursements, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of Christmas Tree Promotion Board'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 Christmas Tree Promotion Board'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 Christmas Tree Promotion Board's internal control over financial reporting and compliance.

Other Reporting Required by the United States Department of Agriculture

In connection with our audits of the years ended July 31, 2020 and 2019, nothing came to our attention, insofar as it relates to financial and accounting matters, that causes us to believe that the Christmas Tree Promotion Board:

- Failed to comply with laws and regulations and U.S. Department of Agriculture Agricultural Marketing Service ("USDA AMS") Guidelines for AMS Oversight of Commodity Research and Promotion Programs applicable to the Board;
- Failed to comply with Section 1214.47(b) of the Christmas Tree Promotion, Research and Information Order, relating to the use of assessment funds for the purpose of influencing legislation or governmental action or policy;
- Expended assessment funds for purposes other than those authorized by the Commodity Promotion, Research and Information Act of 1996 and the Christmas Tree Promotion, Research and Information Order;

- Expended or obligated assessment funds on any projects prior to the fiscal year in which those funds were authorized to be expended by the Christmas Tree Promotion Board's approved Budget and Marketing Plan;
- Did not adhere to the original or amended Budget and Marketing Plan for the years ended July 31, 2020 and 2019;
- Did not obtain a written contract or agreement with any person or entity providing goods or services to the Christmas Tree Promotion Board;
- Failed to comply with USDA AMS Directive 2210.2, relating to the limitations on the types of investments which may be purchased by the Christmas Tree Promotion Board and the insurance or collateral that must be obtained for all of the Christmas Tree Promotion Board's deposits and investments;
- Failed to comply with disclosure requirements for lease commitments (when applicable);
- Failed to comply with standards established relating to contracts and USDA approval letters (if necessary); or
- Failed to comply with the Christmas Tree Promotion Board's by-laws or any other policy of the Christmas Tree Promotion Board, specifically as they relate to all financial matters, including time and attendance, and travel.

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Propp Christenson Caniglia LLP

October 30, 2020
Roseville, California

CHRISTMAS TREE PROMOTION BOARD

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
July 31, 2020 and 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash		
Operating	\$ 1,481,275	\$ 1,096,928
Reserves	<u>228,515</u>	<u>298,514</u>
Total assets	<u>\$ 1,709,790</u>	<u>\$ 1,395,442</u>
	LIABILITIES AND NET ASSETS	
Current liabilities:		
Accrued expenses	\$ 277,521	\$ 195,083
Net assets without donor restrictions:		
Designated by the Board for cash reserves:		
Reserve for future projects	107,318	177,318
Reserve for research	121,197	121,196
Undesignated	<u>1,203,754</u>	<u>901,845</u>
Total net assets	<u>1,432,269</u>	<u>1,200,359</u>
Total liabilities and net assets	<u>\$ 1,709,790</u>	<u>\$ 1,395,442</u>

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

CHRISTMAS TREE PROMOTION BOARD

STATEMENTS OF REVENUE AND EXPENSES - MODIFIED CASH BASIS

For the Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue:		
Assessments	\$ 1,937,885	\$ 1,729,684
Interest income	10,168	9,688
	<u>1,948,053</u>	<u>1,739,372</u>
Expenses:		
Program services	1,555,229	1,545,801
Management and general	160,914	103,584
	<u>1,716,143</u>	<u>1,649,385</u>
Change in net assets without donor restrictions	231,910	89,987
Net assets without donor restrictions, beginning of year	<u>1,200,359</u>	<u>1,110,372</u>
Net assets without donor restrictions, end of year	<u><u>\$ 1,432,269</u></u>	<u><u>\$ 1,200,359</u></u>

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

CHRISTMAS TREE PROMOTION BOARD

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
For the Years Ended July 31, 2020 and 2019

	Program Services	Management and General	2020 Total
Promotion committee	\$ 1,005,247	\$ -	\$ 1,005,247
Research committee	234,616	-	234,616
Industry relations committee	28,151	-	28,151
Special projects	4,357	-	4,357
Professional services	130,000	83,027	213,027
Independent evaluation	30,000	-	30,000
Education	14,706	-	14,706
Board meetings	28,703	-	28,703
Compliance auditing	-	62,378	62,378
Bank fees	-	5,174	5,174
Insurance	-	1,576	1,576
Office expenses	-	2,482	2,482
Other administrative costs	-	6,277	6,277
USDA fees	79,449	-	79,449
	<u>\$ 1,555,229</u>	<u>\$ 160,914</u>	<u>\$ 1,716,143</u>

	Program Services	Management and General	2019 Total
Promotion committee	\$ 1,013,168	\$ -	\$ 1,013,168
Research committee	253,590	-	253,590
Industry relations committee	73,795	-	73,795
Special projects	1,275	-	1,275
Professional services	100,500	74,580	175,080
Board meetings	20,406	-	20,406
Bank fees	-	4,873	4,873
Insurance	-	1,576	1,576
Office expenses	-	3,464	3,464
Other administrative costs	-	19,091	19,091
USDA fees	83,067	-	83,067
	<u>\$ 1,545,801</u>	<u>\$ 103,584</u>	<u>\$ 1,649,385</u>

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

CHRISTMAS TREE PROMOTION BOARD

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
For the Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received for assessments	\$ 1,937,885	\$ 1,729,684
Cash paid to vendors and employees	(1,633,705)	(1,526,505)
Interest received	10,168	9,688
	<u>314,348</u>	<u>212,867</u>
Net cash provided by operating activities	314,348	212,867
Net increase in cash	314,348	212,867
Cash and reserves, beginning of year	<u>1,395,442</u>	<u>1,182,575</u>
Cash and reserves, end of year	<u>\$ 1,709,790</u>	<u>\$ 1,395,442</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 231,910	\$ 89,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accrued expenses	82,438	122,880
	<u>314,348</u>	<u>212,867</u>
Net cash provided by operating activities	<u>\$ 314,348</u>	<u>\$ 212,867</u>
Ending cash and reserves include the following accounts:		
Cash	\$ 1,481,275	\$ 1,096,928
Reserves includes the following accounts:		
Reserve for future projects	107,318	177,318
Reserve for research	121,197	121,196
	<u>1,709,790</u>	<u>1,395,442</u>
Ending cash and reserves	<u>\$ 1,709,790</u>	<u>\$ 1,395,442</u>

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

CHRISTMAS TREE PROMOTION BOARD

NOTES TO FINANCIAL STATEMENTS

July 31, 2020 and 2019

NOTE 1: NATURE OF ORGANIZATION

The Christmas Tree Promotion Board (the "Board") is a national research and promotion program covering domestic and imported Christmas trees that was formed on January 15, 2015. The program is authorized by the Commodity Promotion, Research and Information Act of 1996 (the "Act"). In November 2011, the Christmas Tree Promotion, Research, and Information Order (the "Order") was issued, establishing the Christmas Tree Promotion Board. The effective date of the order, however, was delayed until April 8, 2014. The program is administered by the Agricultural Marketing Service Division ("AMS") of the U.S. Department of Agriculture ("USDA"). The Board is considered an instrumentality of the USDA which conducts administrative oversight of the Board's activities.

The purpose of the Board is to expand the market and uses of fresh-cut Christmas trees. As required by the Act, the Board must conduct an independent evaluation every five years of the effectiveness of the Order and programs conducted by the Board pursuant to the Act.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting. This basis of accounting differs from generally accepted accounting principles primarily because the Board recognizes revenues when earned rather than when pledged or earned, and expenses are generally recognized when cash is paid rather than when the obligation is incurred. Certain expenses may be accrued for significant obligations incurred by the Board that relate to the current fiscal period's operating budget. Subsequent modifications to these obligations are recognized in the period the modification is made. In addition, certain long-term assets may be capitalized and corresponding amortization and depreciation expense recognized when applicable.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Board has adopted the provision as of July 31, 2019.

The Board presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Board is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor or grantor stipulations;

Net assets with donor restrictions - Net assets that are subject to donor or grantor stipulations that will be met by actions or the passage of time.

CHRISTMAS TREE PROMOTION BOARD

NOTES TO FINANCIAL STATEMENTS

July 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues and gains and losses from assessments and operations are reported as changes in net assets without donor restrictions. Expenses are reported as changes in net assets without donor restrictions. In accordance with 7 CFR 1214.50(f), the Board may accept voluntary contributions from donors; however, these contributions may only be used to pay the expenses incurred in the conduct of programs, plans, and projects approved by the Secretary of the USDA. Accordingly, these contributions must be free of any encumbrances or stipulation by the donor, and as such, they are reported as changes in net assets without donor restrictions. Grants with grantor restrictions are reported as revenues which increase net assets with donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets. As of July 31, 2020 and 2019, Christmas Tree Promotion Board had no net assets with donor restrictions.

Operating Cash and Cash Reserves

For purposes of the statement of cash flows, the Board considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

In order to comply with the AMS's investment policy, the Board is responsible for investing its funds only in interest-bearing accounts that are risk-free and short-term. During the years ended July 31, 2020 and 2019, the Board held their funds in a sweep account, which is fully FDIC insured.

In October 2018, the Board voted to designate funds to establish two reserves: a reserve fund for future research projects and a general reserve fund.

Investments

The Board is required to follow the AMS investment policy. Accordingly, the Board is authorized to invest in securities consisting of obligations issued or fully insured or guaranteed by the U.S. or any U.S. government agency, including obligations of government-sponsored corporations, and must mature within one year or less from the date of purchase. No investments were held by the Board at July 31, 2020 and 2019.

Assessments

Domestic producers and importers of Christmas trees are assessed based upon the number of trees cut and sold or imported into the United States. Assessments are collected directly by the Board and assessment revenues are recognized when received.

Functional Expenses

The costs of providing program services have been summarized on a functional basis in the statements of functional expenses. Costs specifically identified with programs or fundraising are directly allocated to those functions. All costs not identifiable with a specific program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Board's existence, are included as management and general expenses. Expenses that benefit more than one function of the Board are allocated among the functions based generally on the amount of time and effort spent by personnel on each function.

Program Expenses

The Board incurs advertising, promotion, and research expenses in its mission to expand the market and uses of fresh-cut Christmas trees. Program costs are generally expensed when paid. Certain expenses may be accrued for significant obligations incurred by the Board that relate to the current fiscal period's operating budget.

CHRISTMAS TREE PROMOTION BOARD

NOTES TO FINANCIAL STATEMENTS

July 31, 2020 and 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lobbying Expenses

The Board is prohibited from using assessment funds in activities influencing legislation, governmental action or policy, other than recommending to the Secretary amendments to the Order. Accordingly, the Board incurred no lobbying expenses.

Income Taxes

The Board is considered an instrumentality of the U.S. Department of Agriculture. As such, the Office of Chief Counsel of the Internal Revenue Service has ruled that organizations such as the Board are not subject to federal income taxation and are generally exempt from other forms of taxation such as state income taxes, personal and real property taxes, and sales taxes.

Estimates

The presentation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The Board has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 230 as revised by Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. ASU 2016-18 requires that the statement of cash flows explain the total change in cash and restricted cash during the year. The Board has retrospectively adopted ASU 2016-18 as of July 31, 2020.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2020 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through October 30, 2020, the date that the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. The Board expects this matter to negatively impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Christmas Tree Promotion Board's working capital and cash flows are consistent throughout the year as assessment fees are collected at various dates in the year. Monthly cash outflows vary each year based on the specific requirements of promotional and marketing campaigns.

CHRISTMAS TREE PROMOTION BOARD

NOTES TO FINANCIAL STATEMENTS
July 31, 2020 and 2019

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The Board's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Operating Reserves	\$ 1,481,275 <u>228,515</u>	\$ 1,096,928 <u>298,514</u>
Financial assets	1,709,790	1,395,442
Board designations:		
Amounts set aside for reserves	<u>(228,515)</u>	<u>(298,514)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,481,275</u>	<u>\$ 1,096,928</u>

SUPPLEMENTARY INFORMATION

CHRISTMAS TREE PROMOTION BOARD

SCHEDULES OF REVENUE AND EXPENDITURES
 ACTUAL COMPARED TO BUDGET
 For the Years Ended July 31, 2020 and 2019

	2020		Actual Over (Under) Budget
	Actual	Budget (Unaudited)	
Revenue:			
Assessments	\$ 1,937,885	\$ 1,807,000	\$ 130,885
Interest income	10,168	4,000	6,168
Total revenue	<u>1,948,053</u>	<u>1,811,000</u>	<u>137,053</u>
Expenditures:			
Program:			
Promotion committee	1,005,247	1,034,500	(29,253)
Research committee	234,616	235,000	(384)
Industry relations committee	28,151	25,000	3,151
Independent evaluation	30,000	30,500	(500)
Education	14,706	20,500	(5,794)
Board meetings	28,703	30,000	(1,297)
Professional fees - Executive Director	130,000	130,000	-
Special projects	4,357	5,000	(643)
Total program	<u>1,475,780</u>	<u>1,510,500</u>	<u>(34,720)</u>
Operating:			
Professional services	83,027	81,500	1,527
General and administrative	77,887	78,000	(113)
Total operating	<u>160,914</u>	<u>159,500</u>	<u>1,414</u>
USDA charges:			
User fee	79,449	75,000	4,449
Total expenditures	<u>1,716,143</u>	<u>1,745,000</u>	<u>(28,857)</u>
Excess of revenue over expenditures	<u>\$ 231,910</u>	<u>\$ 66,000</u>	<u>\$ 165,910</u>

See independent auditor's report.

CHRISTMAS TREE PROMOTION BOARD

SCHEDULES OF REVENUES AND EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended July 31, 2020 and 2019

	2019		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Revenue:			
Assessments	\$ 1,729,684	\$ 1,550,000	\$ 179,684
Interest income	9,688	-	9,688
Total revenue	<u>1,739,372</u>	<u>1,550,000</u>	<u>189,372</u>
Expenditures:			
Program:			
Promotion committee	1,013,168	993,000	20,168
Research committee	253,590	256,121	(2,531)
Industry relations committee	73,795	100,000	(26,205)
Board meetings	20,406	45,000	(24,594)
Professional fees - Executive Director	100,500	100,500	-
Special projects	1,275	5,000	(3,725)
Total program	<u>1,462,734</u>	<u>1,499,621</u>	<u>(36,887)</u>
Operating:			
Professional services	74,580	76,500	(1,920)
General and administrative	29,004	77,000	(47,996)
Total operating	<u>103,584</u>	<u>153,500</u>	<u>(49,916)</u>
USDA charges:			
User fee	83,067	68,225	14,842
Total expenditures	<u>1,649,385</u>	<u>1,721,346</u>	<u>(71,961)</u>
Excess (deficit) of revenues over expenditures	<u>\$ 89,987</u>	<u>\$ (171,346)</u>	<u>\$ 261,333</u>

See independent auditor's report.

CHRISTMAS TREE PROMOTION BOARD

SCHEDULES OF EXPENDITURES
ACTUAL COMPARED TO BUDGET

For the Years Ended July 31, 2020 and 2019

	2020		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Program:			
Promotion committee - current campaign	\$ 965,247	\$ 989,500	\$ (24,253)
Promotion committee - campaign planning	40,000	45,000	(5,000)
Research committee	199,616	200,000	(384)
Research committee - market development	35,000	35,000	-
Industry relations committee	28,151	25,000	3,151
Independent evaluation	30,000	30,500	(500)
Education	14,706	20,500	(5,794)
Board meetings	28,703	30,000	(1,297)
Professional fees - Executive Director	130,000	130,000	-
Special projects	4,357	5,000	(643)
Total program	<u>1,475,780</u>	<u>1,510,500</u>	<u>(34,720)</u>
Operating:			
Assessments	4,531	6,500	(1,969)
Compliance auditing	62,378	56,000	6,378
Bank fees	5,174	7,500	(2,326)
Insurance	1,576	2,000	(424)
Office expenses	2,482	3,500	(1,018)
Miscellaneous	1,746	2,500	(754)
Professional fees - Executive Director	70,000	70,000	-
Professional fees - Other	13,027	11,500	1,527
Total operating	<u>160,914</u>	<u>159,500</u>	<u>1,414</u>
USDA charges:			
User fee	<u>79,449</u>	<u>75,000</u>	<u>4,449</u>
Total expenditures	<u>\$ 1,716,143</u>	<u>\$ 1,745,000</u>	<u>\$ (28,857)</u>

See independent auditor's report.

CHRISTMAS TREE PROMOTION BOARD

SCHEDULES OF EXPENDITURES
 ACTUAL COMPARED TO BUDGET (CONTINUED)
 For the Years Ended July 31, 2020 and 2019

	2019		
	Actual	Budget (Unaudited)	Actual Over (Under) Budget
Program:			
Promotion committee	\$ 1,013,168	\$ 993,000	\$ 20,168
Research committee	253,590	256,121	(2,531)
Industry relations committee	73,795	100,000	(26,205)
Board meetings	20,406	45,000	(24,594)
Professional fees - Executive Director	100,500	100,500	-
Special projects	1,275	5,000	(3,725)
Total program	<u>1,462,734</u>	<u>1,499,621</u>	<u>(36,887)</u>
Operating:			
Assessments	16,586	30,000	(13,414)
Compliance auditing	-	30,000	(30,000)
Bank fees	4,873	7,500	(2,627)
Insurance	1,576	1,500	76
Office expenses	3,464	3,000	464
Miscellaneous	2,505	5,000	(2,495)
Professional fees - Executive Director	49,500	49,500	-
Professional fees - Other	25,080	27,000	(1,920)
Total operating	<u>103,584</u>	<u>153,500</u>	<u>(49,916)</u>
USDA charges:			
User fee	<u>83,067</u>	<u>68,225</u>	<u>14,842</u>
Total expenditures	<u>\$ 1,649,385</u>	<u>\$ 1,721,346</u>	<u>\$ (71,961)</u>

See independent auditor's report.

CHRISTMAS TREE PROMOTION BOARD

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS
For the Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Receipts:		
Assessments	\$ 1,937,885	\$ 1,729,684
Interest income	<u>10,168</u>	<u>9,688</u>
Total receipts	<u>1,948,053</u>	<u>1,739,372</u>
Disbursements:		
Promotion committee	1,005,247	1,013,168
Research committee	152,178	130,710
Industry relations committee	28,151	73,795
Special projects	4,357	1,275
Professional services	213,027	175,080
Independent evaluation	30,000	-
Education	14,706	-
Board meetings	28,703	20,406
General and administrative	77,887	29,004
USDA fees	<u>79,449</u>	<u>83,067</u>
Total disbursements	<u>1,633,705</u>	<u>1,526,505</u>
Excess of receipts over disbursements	314,348	212,867
Cash and reserves, beginning of year	<u>1,395,442</u>	<u>1,182,575</u>
Cash and reserves, end of year	<u>\$ 1,709,790</u>	<u>\$ 1,395,442</u>

See 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

To the Christmas Tree Promotion Board
Howell, Michigan

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 Christmas Tree Promotion Board (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of July 31, 2020, and the related statements of revenue and expenses – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Christmas Tree Promotion Board's internal control over financial reporting (internal control) to determine the 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 the Christmas Tree Promotion Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Christmas Tree Promotion Board'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Christmas Tree Promotion Board'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 determination of financial statement amounts. 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 Christmas Tree Promotion Board'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 Christmas Tree Promotion Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Propp Christenson Caniglia LLP

October 30, 2020
Roseville, California