



National Watermelon Promotion Board

Financial Statements and
Supplementary Information
Years Ended March 31, 2020 and 2019

National Watermelon Promotion Board

Financial Statements and Supplementary Information
Years Ended March 31, 2020 and 2019

National Watermelon Promotion Board

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Independent Auditor's Report

Board of Directors
National Watermelon Promotion Board

Report on the Financial Statements

We have audited the accompanying financial statements of National Watermelon Promotion Board (the "Board"), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits 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 the Board as of March 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020 on our consideration of the 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 the 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 the Board's internal control over financial reporting and compliance.

BDO USA LLP

Certified Public Accountants
July 20, 2020

Financial Statements

National Watermelon Promotion Board

Statements of Financial Position

| <i>March 31,</i> | 2020 | 2019 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,229,742 | \$ 1,389,356 |
| Assessment receivable | — | 123,601 |
| MAP program receivable | 2,355 | 78,661 |
| Prepaid expenses and other assets | 71,796 | 93,986 |
| Certificates of deposit | 704,000 | 697,997 |
| Total current assets | 2,007,893 | 2,383,601 |
| Property and equipment, net | 157,814 | 40,684 |
| Deposits | 5,007 | 5,007 |
| | \$ 2,170,714 | \$ 2,429,292 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 29,502 | \$ 69,746 |
| Accrued payroll and related expenses | 110,865 | 105,141 |
| Capital lease obligations | 8,681 | 845 |
| Total current liabilities | 149,048 | 175,732 |
| Long-term liabilities: | | |
| Capital lease obligations, less current portion | 9,735 | — |
| Total liabilities | 158,783 | 175,732 |
| Commitments and contingencies (Notes 5 and 8) | | |
| Net assets without donor restrictions: | | |
| Board designated for frozen reserve | 704,000 | 663,000 |
| Undesignated | 1,307,931 | 1,590,560 |
| Total net assets without donor restrictions | 2,011,931 | 2,253,560 |
| | \$ 2,170,714 | \$ 2,429,292 |

See accompanying notes to financial statements.

National Watermelon Promotion Board

Statements of Activities

| <i>Year Ended March 31,</i> | 2020 | 2019 |
|---|---------------------|---------------------|
| Revenues: | | |
| Assessments - domestic | \$ 2,272,774 | \$ 2,174,933 |
| Assessments - import | 1,032,171 | 1,007,625 |
| MAP program revenue | 222,610 | 149,644 |
| Interest and other income | 51,800 | 88,672 |
| Total revenues | 3,579,355 | 3,420,874 |
| Expenses: | | |
| Program expenses | 3,236,707 | 2,997,880 |
| General and administrative expenses | 584,277 | 714,891 |
| Total expenses | 3,820,984 | 3,712,771 |
| Change in net assets without donor restrictions | (241,629) | (291,897) |
| Net assets without donor restrictions, beginning of year | 2,253,560 | 2,545,457 |
| Net assets without donor restrictions, end of year | \$ 2,011,931 | \$ 2,253,560 |

See accompanying notes to financial statements.

National Watermelon Promotion Board

Statements of Cash Flows

| Year Ended March 31, | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets without donor restrictions | \$ (241,629) | \$ (291,897) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash used for operating activities: | | |
| Depreciation and amortization | 12,179 | 27,022 |
| Loss on disposal of equipment | 6,533 | 574 |
| Cash provided by (used for): | | |
| Assessment receivable | 123,601 | (8,662) |
| MAP program receivable | 76,306 | (3,351) |
| Prepaid expenses and other assets | 22,190 | (46,981) |
| Accounts payable and accrued expenses | (40,244) | 8,741 |
| Related party payables | — | (1,517) |
| Accrued payroll and related expenses | 5,724 | 8,808 |
| Net cash used for operating activities | (35,340) | (307,263) |
| Cash flows from investing activities: | | |
| Purchase of equipment | (110,218) | (2,865) |
| Proceeds from sale of equipment | 500 | — |
| Purchase of certificates of deposit | (1,042,003) | (698,152) |
| Proceeds from maturity of certificates of deposit | 1,036,000 | 680,000 |
| Net cash used for investing activities | (115,721) | (21,017) |
| Cash flows from financing activities: | | |
| Payments on capital lease obligation | (8,553) | (5,495) |
| Decrease in cash and cash equivalents | (159,614) | (333,775) |
| Cash and cash equivalents, beginning of year | 1,389,356 | 1,723,131 |
| Cash and cash equivalents, end of year | \$ 1,229,742 | \$ 1,389,356 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 209 | \$ 293 |
| Non-cash investing and financing activity: | | |
| Computer equipment acquired through capital lease | \$ 26,124 | \$ — |

See accompanying notes to financial statements.

National Watermelon Promotion Board

Statement of Functional Expenses

| Year Ended March 31, 2020 | Program Expenses | | | | | | General and Administrative | Total |
|-------------------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------------------|---------------------|
| | Marketing | Communications | Compliance | Program Research | Food Service | Total | | |
| Payroll | \$ 126,381 | \$ 206,110 | \$ 209,289 | \$ — | \$ 124,790 | \$ 666,570 | \$ 192,352 | \$ 858,922 |
| Advertising/promotions | 283,606 | — | — | — | 71,088 | 354,694 | — | 354,694 |
| Employee benefits | 18,721 | 40,544 | 69,052 | — | 33,376 | 161,693 | 121,552 | 283,245 |
| Match MAP program expense | 280,524 | — | — | — | — | 280,524 | — | 280,524 |
| Research studies | — | — | — | 235,928 | — | 235,928 | — | 235,928 |
| Digital communication | — | 228,088 | — | — | — | 228,088 | — | 228,088 |
| Press outreach | — | 146,615 | — | — | — | 146,615 | — | 146,615 |
| Industry meetings/events | — | — | 7,170 | — | 138,973 | 146,143 | — | 146,143 |
| Special events | — | 141,788 | — | — | — | 141,788 | — | 141,788 |
| Agency fees | 16,549 | 33,741 | 22,011 | 1,125 | 17,674 | 91,100 | 37,436 | 128,536 |
| Travel expense | 31,857 | 37,351 | — | — | 25,916 | 95,124 | 33,043 | 128,167 |
| Industry outreach expenses | — | 54,277 | — | — | 73,231 | 127,508 | — | 127,508 |
| Retail operations contracts expense | 116,977 | — | — | — | — | 116,977 | — | 116,977 |
| Consumer communication | — | 111,681 | — | — | — | 111,681 | — | 111,681 |
| Board meeting expenses | — | — | — | — | — | — | 96,746 | 96,746 |
| Consulting fees | — | 72,965 | — | — | — | 72,965 | — | 72,965 |
| Rent | 8,125 | 16,567 | 10,808 | 552 | 8,678 | 44,730 | 18,381 | 63,111 |
| Strategic planning and research | — | — | 48,646 | — | — | 48,646 | — | 48,646 |
| Tradeshows expenses | 34,702 | — | — | — | — | 34,702 | — | 34,702 |
| Software/hardware maintenance | — | — | 11,932 | — | — | 11,932 | 18,326 | 30,258 |
| Training expense | 14,548 | 15,488 | — | — | — | 30,036 | — | 30,036 |
| Audit fees | — | — | — | — | — | — | 29,809 | 29,809 |
| Industry compliance expense | — | — | 23,609 | — | — | 23,609 | — | 23,609 |
| Telephone | 2,087 | 4,257 | 2,777 | 142 | 2,230 | 11,493 | 4,723 | 16,216 |
| Depreciation and amortization | 1,567 | 3,197 | 2,086 | 107 | 1,675 | 8,632 | 3,547 | 12,179 |
| Postage and delivery expense | 1,893 | 3,251 | 484 | — | 3,127 | 8,755 | 1,706 | 10,461 |
| Rental equipment | — | — | — | — | — | — | 9,663 | 9,663 |
| Insurance expense | 1,235 | 2,520 | 1,643 | 83 | 1,319 | 6,800 | 2,796 | 9,596 |
| Fulfillment storage expense | 9,137 | — | — | — | — | 9,137 | — | 9,137 |
| Office supplies | 1,105 | 2,253 | 1,470 | 75 | 1,180 | 6,083 | 2,500 | 8,583 |
| Ongoing opportunities expense | — | — | — | — | 7,436 | 7,436 | — | 7,436 |
| Loss on disposal of equipment | — | — | — | — | — | — | 6,533 | 6,533 |
| Culinary education | — | — | — | — | 5,426 | 5,426 | — | 5,426 |
| Bank charges | — | — | — | — | — | — | 2,217 | 2,217 |
| Dues and subscriptions | — | — | — | — | — | — | 2,158 | 2,158 |
| Miscellaneous expense | 1,892 | — | — | — | — | 1,892 | — | 1,892 |
| Legal expenses | — | — | — | — | — | — | 495 | 495 |
| Interest expense | — | — | — | — | — | — | 209 | 209 |
| Printing expense | — | — | — | — | — | — | 85 | 85 |
| Total | \$ 950,906 | \$ 1,120,693 | \$ 410,977 | \$ 238,012 | \$ 516,119 | \$ 3,236,707 | \$ 584,277 | \$ 3,820,984 |

See accompanying notes to financial statements.

National Watermelon Promotion Board

Statement of Functional Expenses

| Year Ended March 31, 2019 | Program Expenses | | | | | | General and Administrative | Total |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|----------------------------|---------------------|
| | Marketing | Communications | Compliance | Program Research | Food Service | Total | | |
| Payroll | \$ 118,421 | \$ 195,106 | \$ 205,944 | \$ — | \$ 129,578 | \$ 649,049 | \$ 199,171 | \$ 848,220 |
| Advertising/promotions | 264,868 | — | — | — | 44,902 | 309,770 | — | 309,770 |
| Employee benefits | 17,142 | 36,615 | 61,841 | — | 30,261 | 145,859 | 118,345 | 264,204 |
| Match MAP program expense | 203,003 | — | — | — | — | 203,003 | — | 203,003 |
| Research studies | — | — | — | 314,205 | — | 314,205 | — | 314,205 |
| Digital communication | — | 141,080 | — | — | — | 141,080 | — | 141,080 |
| Press outreach | — | 181,479 | — | — | — | 181,479 | — | 181,479 |
| Industry meetings/events | — | — | 8,031 | — | 142,217 | 150,248 | — | 150,248 |
| Special events | — | 93,174 | — | — | — | 93,174 | — | 93,174 |
| Agency fees | — | — | — | — | — | — | 125,479 | 125,479 |
| Travel expense | 32,952 | 38,340 | — | — | 31,989 | 103,281 | 43,803 | 147,084 |
| Industry outreach expenses | — | 50,207 | — | — | 73,670 | 123,877 | — | 123,877 |
| Retail operations contracts expense | 108,472 | — | — | — | — | 108,472 | — | 108,472 |
| Consumer communication | — | 122,647 | — | — | — | 122,647 | — | 122,647 |
| Board meeting expenses | — | — | — | — | — | — | 117,295 | 117,295 |
| Consulting fees | — | 53,444 | — | — | — | 53,444 | — | 53,444 |
| Rent | 14,232 | 9,209 | 5,860 | 3,349 | 9,209 | 41,859 | 25,115 | 66,974 |
| Strategic planning and research | — | — | 45,776 | — | — | 45,776 | — | 45,776 |
| Tradeshaw expenses | 35,400 | — | — | — | — | 35,400 | — | 35,400 |
| Software/hardware maintenance | — | — | 3,550 | — | — | 3,550 | 13,046 | 16,596 |
| Training expense | 21,397 | 37,415 | — | — | — | 58,812 | — | 58,812 |
| Audit fees | — | — | — | — | — | — | 26,750 | 26,750 |
| Industry compliance expense | — | — | 25,512 | — | — | 25,512 | — | 25,512 |
| Telephone | 3,442 | 2,227 | 1,417 | 810 | 2,227 | 10,123 | 6,074 | 16,197 |
| Depreciation and amortization | 5,742 | 3,716 | 2,364 | 1,351 | 3,716 | 16,889 | 10,133 | 27,022 |
| Postage and delivery expense | 2,625 | 4,341 | 2,078 | — | 2,764 | 11,808 | 271 | 12,079 |
| Rental equipment | — | — | — | — | — | — | 9,664 | 9,664 |
| Insurance expense | 2,067 | 1,338 | 851 | 486 | 1,338 | 6,080 | 3,649 | 9,729 |
| Fulfillment storage expense | 14,194 | — | — | — | — | 14,194 | — | 14,194 |
| Office supplies | 2,641 | 1,709 | 1,088 | 622 | 1,709 | 7,769 | 4,663 | 12,432 |
| Ongoing opportunities expense | — | — | — | — | 13,468 | 13,468 | — | 13,468 |
| Loss on disposal of equipment | — | — | — | — | — | — | 574 | 574 |
| Culinary education | — | — | — | — | 5,583 | 5,583 | — | 5,583 |
| Bank charges | — | — | — | — | — | — | 1,793 | 1,793 |
| Dues and subscriptions | — | — | — | — | — | — | 2,404 | 2,404 |
| Miscellaneous expense | 1,469 | — | — | — | — | 1,469 | — | 1,469 |
| Legal expenses | — | — | — | — | — | — | 3,740 | 3,740 |
| Interest expense | — | — | — | — | — | — | 293 | 293 |
| Printing expense | — | — | — | — | — | — | 2,629 | 2,629 |
| Total | \$ 848,067 | \$ 972,047 | \$ 364,312 | \$ 320,823 | \$ 492,631 | \$ 2,997,880 | \$ 714,891 | \$ 3,712,771 |

See accompanying notes to financial statements.

National Watermelon Promotion Board

Notes to Financial Statements

1. Nature of Activities

The National Watermelon Promotion Board (the “Board”) is authorized by the Watermelon Research and Promotion Act (the “Act”) of 1985 and is considered an instrumentality of the United States Department of Agriculture (“USDA”) which conducts the administrative oversight of its activities. The Board’s mission is to increase demand for watermelons through promotion, research and education.

The Board is divided into seven districts based on domestic watermelon production in the United States. Each district has a representative on the Executive Committee of the Board. There are also twelve representatives of watermelon importers and one public member on the Board. The past Board President also sits on the Board as a voting member of the Executive Committee. The rules and regulations the Board follows provide for assessments to be derived from all watermelons produced, first handled, and imported in the respective districts.

2. Summary of Significant Accounting Policies

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The ASU also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Board reviewed the provisions of ASU 2014-09, along with all subsequent amendments (collectively, “ASC 606”) and determined that its revenue streams do not fall under the scope of Accounting Standards Codification (“ASC”) 606 and instead will be accounted for under ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”) as discussed below.

In June 2018 the FASB issued ASU 2018-08. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e. ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Board adopted this update on a modified prospective basis as of April 1, 2019 and as of that date, there were no open contracts that required a change in revenue recognition. The effects of the adoption are outlined below.

Assessment revenue and Market Access Program (“MAP”) revenue were accounted for under ASC Topic 958-605 (“Topic 958-605”), *Not-for-Profit Entities, Revenue Recognition*, as exchange transactions before the implementation of the new standard. Assessment revenue and MAP program revenue do not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Under the clarified guidance, such transactions constitute contributions and must be examined further to determine whether the transactions qualify as unconditional or conditional contributions.

National Watermelon Promotion Board

Notes to Financial Statements

The Board determined that assessment revenue meets the criteria for unconditional contribution accounting and will therefore be recorded when the Board is notified of the amount of the assessment or the cash is received. Consequently, at March 31, 2020, assessment revenue of \$97,988 related to March 2020 assessments received in April 2020 have not been recognized in the accompanying financial statements because the Board was not notified of the amount to be received and the funds were not received as of March 31, 2020.

The Board determined that MAP revenue meets the criteria for conditional contribution accounting because the revenue is derived from the incurrence of qualifying expenses. Amounts received are recognized as revenue when the Board has incurred expenditures in compliance with the MAP grant provisions. The Board reviewed the existing MAP agreement as of the adoption date and concluded that there were no material changes in MAP revenue recognition.

Basis of Accounting

The financial statements of the Board are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash and Cash Equivalents

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

Assessment Receivable

Assessment receivable represent assessments due from producers, handlers and importers. As of March 31, 2020, in accordance with ASU 2018-08, the balance represents assessments that the Board was notified of before the cash was collected. As of March 31, 2019, in accordance with Topic 958-605, the balance includes assessments for March 2019 that were not paid until April 2019. The Board evaluates the collectability of its assessment receivable on a combination of factors. In circumstances where it is aware of a specific customer’s inability to meet its financial obligations, it records a specific allowance to reduce the amounts recorded to what it believes will be collected. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Management determined all accounts were collectible at March 31, 2020 and 2019, and an allowance was not necessary.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease.

National Watermelon Promotion Board

Notes to Financial Statements

Impairment of Long-Lived Assets

The Board reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses recorded during the years ended March 31, 2020 and 2019.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time the Board of Directors designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Board of Directors has designated a portion of net assets without donor restrictions as reserves. See Note 6 for more information on the composition of net assets without donor restrictions.

Assessment Revenue

Revenues from assessments are derived from producers, handlers and importers based on monthly watermelon production. The rate of assessment is proposed by the Board and approved by the Secretary of Agriculture. The assessment rate from April 1, 2018 through March 31, 2020 was 6¢ per hundredweight; 3¢ from the producers and 3¢ from the first handlers of ten acres or more domestic watermelons and 6¢ per hundredweight from the importers of 150,000 pounds or more imported watermelons. Importers of less than 150,000 pounds of watermelon during any calendar year shall be entitled to apply for a refund of the assessments paid.

Market Access Program Revenue and Receivable

The Board participates in the Market Access Program ("MAP" or "program") of the USDA's Foreign Agricultural Service ("FAS") which provides for the reimbursement of funds spent by the Board for marketing and promotion of watermelons in Canada and Japan. The Board records MAP expenditures that will be reimbursed as "MAP expenses reimbursed" within marketing expenses when incurred and records "MAP program revenue" when the qualifying expenditures are incurred. As a participant, the Board must contribute its own resources equivalent to a minimum of 40% of total amounts reimbursed by the program, which are recorded as "MAP matching expenses" within marketing expenses. At March 31, 2020 and 2019, reimbursements due from FAS to the Board are \$2,355 and \$78,661, respectively, and are considered fully collectible.

National Watermelon Promotion Board

Notes to Financial Statements

Functional Allocation of Expenses

The accompanying statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Board are reported as expenses of those functional areas. Payroll, employee benefits and industry outreach expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. Other indirect costs such as rent, insurance, supplies, telephone, agency fees, and depreciation and amortization are allocated based on the number of employees per function.

Fair Value of Financial Instruments

The Board reports its financial instruments at fair value using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuation based on observable quoted prices for similar assets and liabilities in active markets.

Level 3 - Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, MAP program receivable, accounts payable, accrued expenses, and accrued payroll and related expenses. The fair value of the Board's capital lease obligations are estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

As of March 31, 2020 and 2019, the Board does not have any financial assets or liabilities that are required to be fair valued on a recurring basis that would need to be disclosed as Level 1, 2 or 3 financial instruments in the fair value hierarchy.

Income Taxes

The Board is considered an instrumentality of the USDA which conducts the administrative oversight of its activities. As such, the Board is exempt from federal and state income taxes.

Budget

The Board's budget is prepared on a cash basis. Schedules comparing the budgetary basis to actual results are included in the supplementary information to the financial statements.

National Watermelon Promotion Board

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Accounting Pronouncements Issued but Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2021. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 which permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its financial statements.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis such as pledges, trade and certain other receivables as well as certain off-balance sheet credit exposures such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, and loans and receivables between entities under common control. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption may be selected for fiscal years beginning after December 15, 2018. An entity must apply the amendments in the ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. Management is currently evaluating the impact of this ASU on its financial statements.

National Watermelon Promotion Board

Notes to Financial Statements

Reclassifications

Certain items have been reclassified in the 2019 financial statements to conform to the 2020 presentation.

3. Property and Equipment

Property and equipment consists of the following:

| <i>March 31,</i> | Useful Lives | 2020 | 2019 |
|--|--------------|------------|-----------|
| Computer hardware | 5 years | \$ 66,626 | \$ 60,438 |
| Computer software | 3 years | 4,878 | 4,878 |
| Office furniture and equipment | 5-7 years | 29,843 | 29,843 |
| Website | 3 years | 152,291 | 44,891 |
| Leasehold improvements | 3-5 years | 13,503 | 13,503 |
| | | 267,141 | 153,553 |
| Less accumulated depreciation and amortization | | (109,327) | (112,869) |
| | | \$ 157,814 | \$ 40,684 |

Depreciation and amortization expense was \$12,179 and \$27,022 for the years ended March 31, 2020 and 2019, respectively.

4. Retirement Plan

The Board established a 401(k) retirement plan (the "Plan") for all eligible full-time employees. The Board contributes from 3% to 8% of the employee's salary to the Plan. Employees may make contributions, up to the maximum amount allowed by the Internal Revenue Code, to the Plan. Employer contributions were \$72,693 and \$72,524 for the years ended March 31, 2020 and 2019, respectively, which is included in employee benefits expense on the accompanying statements of functional expenses.

5. Leases

The Board leases its office space under an operating lease that expires in September 2021, with an option to extend through September 2026. This extension period is included in the future minimum lease payments below. The Board also leases certain equipment under capital leases which are included in property and equipment (see Note 3). One of these leases expired in December 2019, at which time, a new capital lease was entered into which expires in April 2022. As of March 31, 2020, cost and accumulated depreciation of equipment under capital leases were \$29,221 and \$5,932, respectively. As of March 31, 2019, cost and accumulated amortization of equipment under capital leases were \$16,512 and \$9,890, respectively.

National Watermelon Promotion Board

Notes to Financial Statements

The following is a schedule of future minimum lease payments under all leases as of March 31, 2020:

| <i>Year Ending March 31,</i> | Capital Lease Obligations | Operating Leases |
|--------------------------------------|------------------------------|---------------------|
| 2021 | \$ 9,161 | \$ 53,900 |
| 2022 | 9,161 | 52,300 |
| 2023 | 763 | 52,500 |
| 2024 | — | 48,400 |
| 2025 | — | 49,300 |
| Thereafter | — | 80,000 |
| Total minimum lease payments | 19,085 | <u>\$ 336,400</u> |
| Less: amount representing interest | (669) | |
| Capital lease obligations | 18,416 | |
| Less current portion | (8,681) | |
| Capital lease obligations, long-term | <u>\$ 9,735</u> | |

Total rent expense under these leases for the years ended March 31, 2020 and 2019 was \$72,774 and \$76,638, respectively, which is included in rent and rental equipment expense on the accompanying statements of functional expenses.

6. Net Assets Without Donor Restrictions Designated for Frozen Reserve

The Board's net assets without donor restrictions is comprised of undesignated and Board of Director designated amounts for the following purpose at:

| <i>December 31,</i> | 2020 | 2019 |
|---------------------------------|---------------------|---------------------|
| Undesignated | \$ 1,307,931 | \$ 1,590,560 |
| Board designated frozen reserve | 704,000 | 663,000 |
| | <u>\$ 2,011,931</u> | <u>\$ 2,253,560</u> |

National Watermelon Promotion Board

Notes to Financial Statements

7. Liquidity and Availability of Resources

The following table reflects the Board's assets as of March 31, 2020 and 2019, reduced by the amount not available for general expenditures within one year. Financial assets are considered unavailable because the Board of Directors has set aside the funds for specific reserves.

| <i>March 31,</i> | 2020 | 2019 |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 1,229,742 | \$ 1,389,356 |
| Accounts receivable | — | 123,601 |
| MAP program receivable | 2,355 | 78,661 |
| Certificates of deposit | 704,000 | 697,997 |
| Other assets | 21,673 | 30,625 |
| Financial assets at the end of the year | 1,957,770 | 2,320,240 |
| Amounts unavailable for general expenditures within one year without Board of Directors approval: | | |
| Board designated frozen reserve | (704,000) | (663,000) |
| Financial assets to meet cash needs for general expenditures within one year | \$ 1,253,770 | \$ 1,657,240 |

At March 31, 2020, the Board has \$1,253,770 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, which consists primarily of cash and cash equivalents that are fully insured or guaranteed. The Board has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Board has Board of Director designated net assets without donor restriction that, while the Board does not intend to spend for purposes other than those identified, the amount could be made available for current operations, if necessary.

8. Contingencies

In the normal course of business, the Board occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the financial position, results of operations or cash flows of the Board.

9. COVID-19 Outbreak and CARES Act

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

National Watermelon Promotion Board

Notes to Financial Statements

The Board was able to transition to 100% remote work for employees. The situation did not hinder the Board's ability to advance its mission. As of the date of this report, the Board's assessments have met or exceeded the Board's projected assessment amounts and the Board's short-term investments in certificates of deposit were not impacted by market fluctuations.

Although the Board cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it does not appear that there will be a material adverse effect on the Board's results of future operations, financial position, and liquidity in fiscal year 2021.

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief and Economics Security ("CARES") Act was enacted. The CARES Act was enacted to address the economic fallout of the COVID-19 outbreak on the economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments and net operating loss carryback periods. It also appropriated funds for SBA Paycheck Protection Program, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. There is no assurance the Board is eligible or will be able to obtain these funds and as of the date of this report, has not applied for this funding. Management continues to examine the impact the CARES Act may have on its business and currently does not expect the tax impact or relief from the CARES Act will have a significant impact on its financial condition, results of operations or liquidity.

10. Subsequent Events

The Board has evaluated events and transactions occurring subsequent to March 31, 2020 as of July 20, 2020, which is the date the financial statements were available to be issued. Subsequent events occurring after July 20, 2020 have not been evaluated by management. No material events have occurred since March 31, 2020 that require recognition or disclosure in the financial statements.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

Board of Directors
National Watermelon Promotion Board

Our audits of the financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BDO USA LLP

Certified Public Accountants
July 20, 2020

National Watermelon Promotion Board

Schedule of Revenues and Expenditures - Actual Compared to Budget

| <i>Year Ended March 31, 2020</i> | Actual | Budget | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|--|
| Revenues: | | | |
| Assessments - domestic | \$ 2,272,774 | \$ 2,307,317 | \$ (34,543) |
| Assessments - import | 1,032,171 | 1,115,230 | (83,059) |
| MAP program revenue | 222,610 | 230,094 | (7,484) |
| Interest and other income | 51,800 | 35,531 | 16,269 |
| Net revenues | 3,579,355 | 3,688,172 | (108,817) |
| Program expenses: | | | |
| Marketing | 950,906 | 977,041 | 26,135 |
| Communications | 1,120,693 | 1,049,125 | (71,568) |
| Compliance | 410,977 | 470,171 | 59,194 |
| Production research | 238,012 | 315,813 | 77,801 |
| Food service | 516,119 | 488,517 | (27,602) |
| Total program expenses | 3,236,707 | 3,300,667 | 63,960 |
| General and administrative expenses | 584,277 | 783,393 | 199,116 |
| Total expenses | 3,820,984 | 4,084,060 | 263,076 |
| Change in net assets without donor restrictions | \$ (241,629) | \$ (395,888) | \$ 154,259 |

Note: The budget is prepared on the cash basis of accounting and was approved by the U.S. Department of Agriculture. See Note 2 to the notes to financial statements.

See accompanying independent auditor's report on supplementary information.

National Watermelon Promotion Board

Schedule of Program Expenses - Actual Compared to Budget

| <i>Year Ended March 31, 2020</i> | Actual | Budget | Variance Favorable (Unfavorable) |
|--------------------------------------|------------------|------------------|--|
| Marketing: | | | |
| Fulfillment storage | \$ 9,137 | \$ 20,000 | \$ 10,863 |
| Tradeshows | 34,702 | 42,500 | 7,798 |
| Postage and shipping | 1,893 | 5,000 | 3,107 |
| Retail promotions and marketing | 263,936 | 270,900 | 6,964 |
| Retail advertising | 19,670 | 20,000 | 330 |
| Retail education and promo | 14,548 | 15,000 | 452 |
| Miscellaneous expense | 1,892 | 3,000 | 1,108 |
| MAP matching expenses | 57,914 | 64,000 | 6,086 |
| MAP expenses reimbursed | 222,610 | 230,094 | 7,484 |
| Retail contracts | 116,977 | 123,506 | 6,529 |
| Staff support | 176,959 | 183,041 | 6,082 |
| Allocated indirect expenses | 30,668 | — | (30,668) |
| Total marketing expenses | 950,906 | 977,041 | 26,135 |
| Communications: | | | |
| Communications onsite coordination | 37,351 | 40,000 | 2,649 |
| Postage and shipping | 3,251 | 4,000 | 749 |
| Third party consultants | 72,965 | 70,750 | (2,215) |
| Special events | 141,788 | 129,000 | (12,788) |
| Press outreach | 146,615 | 143,930 | (2,685) |
| Consumer communications | 111,681 | 109,150 | (2,531) |
| Industry communications | 54,277 | 54,350 | 73 |
| Digital communications | 228,088 | 235,060 | 6,972 |
| Training | 15,488 | 15,000 | (488) |
| Staff support | 246,654 | 247,885 | 1,231 |
| Allocated indirect expenses | 62,535 | — | (62,535) |
| Total communications expenses | 1,120,693 | 1,049,125 | (71,568) |
| Compliance: | | | |
| Compliance program | 23,609 | 21,600 | (2,009) |
| Computer hardware | — | 12,000 | 12,000 |
| Computer software | 11,932 | — | (11,932) |
| Handler report re-printing | — | 500 | 500 |
| Postage and shipping | 484 | 2,500 | 2,016 |
| Database programming | — | 118,000 | 118,000 |
| Strategic planning session | 48,646 | 37,000 | (11,646) |
| Industry meetings | 7,170 | 10,000 | 2,830 |
| Staff support | 278,340 | 268,571 | (9,769) |
| Allocated indirect expenses | 40,796 | — | (40,796) |
| Total compliance expenses | 410,977 | 470,171 | 59,194 |

National Watermelon Promotion Board

Schedule of Program Expenses - Actual Compared to Budget

| <i>Year Ended March 31, 2020</i> | Actual | Budget | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|--|
| Production research: | | | |
| Production research | 235,928 | 315,813 | 79,885 |
| Allocated indirect expenses | 2,084 | — | (2,084) |
| Total production research expenses | 238,012 | 315,813 | 77,801 |
| Food service: | | | |
| Culinary education | 5,426 | 6,000 | 574 |
| Public relations | 73,231 | 67,525 | (5,706) |
| Industry events | 138,973 | 134,700 | (4,273) |
| Promotions | 71,088 | 73,000 | 1,912 |
| Ongoing opportunities | 7,436 | 10,000 | 2,564 |
| Onsite coordination | 25,916 | 31,000 | 5,084 |
| Postage and shipping | 3,127 | 3,000 | (127) |
| Staff support | 158,167 | 163,292 | 5,125 |
| Allocated indirect expenses | 32,755 | — | (32,755) |
| Total food service expenses | 516,119 | 488,517 | (27,602) |
| Total program expenses | \$ 3,236,707 | \$ 3,300,667 | \$ 63,960 |

Note: The budget is prepared on the cash basis of accounting and was approved by the U.S. Department of Agriculture. See Note 2 to the notes to financial statements. This schedule reflects indirect expenses that are allocated to the various programs which are included in general and administrative expenses for budget purposes.

See accompanying independent auditor's report on supplementary information.

National Watermelon Promotion Board

Schedule of General and Administrative Expenses - Actual Compared to Budget

| <i>Year Ended March 31, 2020</i> | Actual | Budget | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|--|
| Administrative expenses: | | | |
| Staff travel | \$ 27,043 | \$ 40,000 | \$ 12,957 |
| Legal | 495 | 5,000 | 4,505 |
| Bank charges | 2,217 | 1,800 | (417) |
| Dues and subscriptions | 2,158 | 2,100 | (58) |
| Office equipment lease/rental | 9,322 | 12,000 | 2,678 |
| Computer equipment | 341 | 4,200 | 3,859 |
| Furniture | — | 1,200 | 1,200 |
| Interest expense | 209 | — | (209) |
| Annual audit | 29,809 | 27,300 | (2,509) |
| Office supplies | 8,583 | 12,000 | 3,417 |
| Printing | 85 | 1,200 | 1,115 |
| Postage/shipping | 1,706 | 1,800 | 94 |
| Office lease | 63,111 | 71,000 | 7,889 |
| Equipment maintenance | 18,326 | 12,000 | (6,326) |
| Staff support | 329,500 | 328,510 | (990) |
| Telephone service and support | 16,216 | 18,600 | 2,384 |
| Bad debt expense | — | 10,000 | 10,000 |
| Loss on sale of equipment | 6,533 | — | (6,533) |
| Total administrative expenses | 515,654 | 548,710 | 33,056 |
| Board meetings: | | | |
| Meeting travel | 35,040 | 19,000 | (16,040) |
| Board meeting accommodations | 11,786 | 18,000 | 6,214 |
| Staff support | 49,920 | 49,483 | (437) |
| Total board expenses | 96,746 | 86,483 | (10,263) |
| Agency fees: | | | |
| USDA AMS user fees | 128,536 | 147,000 | 18,464 |
| Office of general council | — | 1,200 | 1,200 |
| Total agency fees | 128,536 | 148,200 | 19,664 |
| Depreciation and amortization | 12,179 | — | (12,179) |
| Less allocated indirect expenses | (168,838) | — | 168,838 |
| Total general and administrative expenses | \$ 584,277 | \$ 783,393 | \$ 199,116 |

Note: The budget is prepared on the cash basis of accounting and was approved by the U.S. Department of Agriculture. See Note 2 to the notes to financial statements. This schedule reflects indirect expenses that are allocated to the various programs which are included in general and administrative expenses for budget purposes.

See accompanying independent auditor's report on supplementary information.

National Watermelon Promotion Board

Schedule of Cash Receipts and Disbursements

Year Ended March 31, 2020

Sources of cash and cash equivalents:

Receipts:

| | |
|---------------------------|--------------|
| Assessments - domestic | \$ 2,279,079 |
| Assessments - import | 1,142,424 |
| MAP program revenue | 298,917 |
| Interest and other income | 54,769 |

| | |
|-----------------------|------------------|
| Total receipts | 3,775,189 |
|-----------------------|------------------|

Uses of cash and cash equivalents:

Disbursements:

| | |
|---------------------|-----------|
| Marketing | 932,506 |
| Communications | 1,043,081 |
| Compliance | 351,620 |
| Production research | 254,467 |
| Food service | 487,840 |
| Administrative | 514,336 |
| Board meetings | 97,775 |
| Agency fees | 128,904 |

| | |
|----------------------------|------------------|
| Total disbursements | 3,810,529 |
|----------------------------|------------------|

| | |
|--|-----------------|
| Cash and cash equivalents used by operations before other sources | (35,340) |
|--|-----------------|

Other sources (uses) of cash and cash equivalents:

| | |
|---|-------------|
| Purchase of equipment | (110,218) |
| Proceeds from sale of equipment | 500 |
| Proceeds from maturity of certificates of deposit | (1,042,003) |
| Purchase of certificates of deposit | 1,036,000 |
| Payments on capital lease obligation | (8,553) |

| | |
|--|------------------|
| Total other uses of cash and cash equivalents | (124,274) |
|--|------------------|

| | |
|--|------------------|
| Decrease in cash and cash equivalents | (159,614) |
|--|------------------|

| | |
|---|------------------|
| Cash and cash equivalents, beginning of year | 1,389,356 |
|---|------------------|

| | |
|---|---------------------|
| Cash and cash equivalents, end of year | \$ 1,229,742 |
|---|---------------------|

See accompanying independent auditor's report on supplementary information.

National Watermelon Promotion Board

Schedule of Property and Equipment

March 31, 2020

| Date Acquired | Description | Original Cost |
|--|--|---------------|
| Computer hardware: | | |
| 09/29/2008 | Yamaha Keyboard | \$ 1,600 |
| 11/19/2009 | Wireless HDMI Extenders | 620 |
| 11/19/2009 | Isystor 26825 CD DVD Duplicator | 825 |
| 05/21/2010 | Apple Ipad - GB01789ZETU | 729 |
| 06/08/2010 | Apple Ipad - GB023JHBETU | 827 |
| 11/10/2010 | MAX - Firebox and Harddrive | 1,559 |
| 11/03/2011 | Recording Mixer | 577 |
| 10/23/2012 | Ipad - DMPJ4E7JDVGL | 800 |
| 11/21/2012 | Ipad - Best Buy - Mark Arney | 950 |
| 03/31/2013 | Ipad - Serial #DMPJN48XF18F | 693 |
| 03/31/2013 | Ipads - Serial # DMPKC1PSF189 and DMPJN4UDF18F | 1,385 |
| 12/06/2013 | Ipad - Serial # DMPLTWG1FK14 | 489 |
| 12/09/2013 | Ipad - Serial # DMQLT97GF4YF | 714 |
| 11/14/2013 | Apple Computer Lease | 14,704 |
| 10/06/2014 | Conference Room TV | 1,310 |
| 08/02/2016 | Meraki Wifi Hub | 1,031 |
| 01/01/2017 | Apple Computer Lease - 2017 | 3,098 |
| 03/07/2017 | Drobo 5N 15TB Network Storage Unit | 1,262 |
| 02/02/2018 | IMAC 21.5" Computer D25W511UJ1GC | 1,644 |
| 09/19/2018 | IMAC 21.5" Computer D25XD0A9J1GC | 2,866 |
| 05/16/2019 | Apple MBP 15.4 Space Gray CO2YP08TJGHS | 2,819 |
| 05/21/2019 | Apple Capital lease | 26,124 |
| Total computer hardware | | 66,626 |
| Computer software: | | |
| 12/26/2006 | IHP Software (TTB) | 650 |
| 12/02/2009 | Apple Computer Software Package | 1,281 |
| 11/24/2010 | Adobe Creative Suite CS5 | 1,600 |
| 06/11/2015 | FM Server | 1,347 |
| Total computer software | | 4,878 |
| Office equipment and furniture: | | |
| 03/19/2010 | TV for Conference Room | 697 |
| 03/02/2010 | Common Sense - Cherry U Shaped Desks (6) | 5,334 |
| 03/02/2010 | Common Sense - Conference Table | 695 |
| 03/02/2010 | Common Sense - Delivery and Install | 925 |
| 03/08/2010 | Common Sense - Cherry 4 drawer files (3) | 2,187 |
| 03/08/2010 | Common Sense - Delivery and Install | 275 |
| 03/31/2010 | Security Equipment | 4,598 |
| 03/14/2010 | Cannon EOS Rebel Camera - Best Buy | 1,000 |
| 03/30/2010 | Large Watermelon Pastel - Framed | 961 |
| 04/02/2010 | DVR for security system | 400 |
| 05/07/2010 | Infrared Day/Night Camera - American Lock and Door | 712 |

National Watermelon Promotion Board

Schedule of Property and Equipment

March 31, 2020

| Date Acquired | Description | Original Cost |
|---|-------------------------------------|-------------------|
| 06/11/2010 | OfficeMax - Conference room chairs | 960 |
| 09/11/2014 | Wireless Planet - Office Furniture | 4,900 |
| 11/04/2014 | Office Table and Chairs | 877 |
| 07/18/2016 | Digital Tent Top and Tent (10'x20') | 2,903 |
| 09/13/2016 | Canon EOS Rebel T6l 24.2 MP Camera | 750 |
| 04/01/2017 | Ring Central Phone System | 1,669 |
| Total office equipment and furniture | | 29,843 |
| Website: | | |
| 03/31/2010 | Website Development- Sean O'Dell | 24,891 |
| 03/01/2011 | Website Development- Sean O'Dell | 20,000 |
| 11/30/2019 | Supplier Database | 30,600 |
| 11/30/2019 | Watermelon Website Database | 76,800 |
| Total website | | 152,291 |
| Leasehold improvements: | | |
| 10/01/2014 | Security system and other | 9,400 |
| 06/13/2016 | Kalos custom cabinets | 4,103 |
| Total leasehold improvements | | 13,503 |
| Total | | \$ 267,141 |

See accompanying independent auditor's report on supplementary information.

Report Required by *Government Auditing Standards*



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 Watermelon Promotion Board

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 Watermelon Promotion Board (the “Board”), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA LLP

Certified Public Accountants
July 20, 2020

**Other Reporting Required by United States
Department of Agriculture (USDA)**



Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

Board of Directors
National Watermelon Promotion Board

Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of National Watermelon Promotion Board (the “Board”), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated July 20, 2020.

In connection with our audit of the Board’s financial statements, we tested compliance with selected provisions of applicable laws, regulations, and contract consistent with our auditor’s responsibility discussed below and 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. We caution that noncompliance may occur and not be detected by these tests.

Management’s Responsibilities

The Board’s management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Board.

Auditor’s Responsibilities

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Board.

Results of Our Tests for Compliance with Laws, Regulations, and Contracts

During the course of our testing, no instances of noncompliance for the year ended March 31, 2020 came to our attention that would be required to be reported under generally accepted auditing standards in the United States of America or under *Government Auditing Standards*, issued by the Comptroller General of the United States, that would cause us to believe that the Board failed to comply with certain provisions of the Watermelon Research and Promotion Act of 1985 as described below in items a) through e), insofar as they relate to accounting matters.

- a) funds were not discovered to be used for influencing government policy or action,
- b) the Board adhered to the AMS investment policy,
- c) the Board complied with its internal control policies,



- d) funds were used only for projects and other expenses authorized in a budget approved by USDA, and
- e) funds were used in accordance with Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs

However, the objective of our tests was not to provide an opinion on compliance with all laws, regulations, and contracts agreements applicable to the Board. Accordingly, we do not express such an opinion. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Board's noncompliance with the above-referenced terms, provisions, or conditions of the Watermelon Research and Promotion Act of 1985, insofar as they relate to accounting matters.

The purpose of this report on compliance with laws, regulations, and contracts is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts and the results of that testing, and not to provide an opinion on compliance. This report on compliance with laws, regulations, and contract is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors and management of the Board, others within the organization, and the U.S. Department of Agriculture and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO USA LLP

Certified Public Accountants
July 20, 2020