

**National Watermelon
Promotion Board**

**Financial Statements and
Supplementary Information**

March 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Watermelon Promotion Board

Report on the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2023 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
July 12, 2023

National Watermelon Promotion Board

STATEMENTS OF FINANCIAL POSITION

March 31, 2023 and 2022

| | 2023 | 2022 |
|--|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 521,354 | \$ 1,072,208 |
| Assessments receivable | 136,567 | 119,070 |
| MAP receivable | 6,002 | 2,370 |
| Prepaid expenses and other assets | 84,888 | 78,651 |
| Certificates of deposit | 704,000 | 704,000 |
| Total current assets | 1,452,811 | 1,976,299 |
| Operating lease right-of-use-assets | 203,730 | - |
| Property and equipment, net | 43,164 | 71,630 |
| Deposits | 5,007 | 5,007 |
| Total assets | \$ 1,704,712 | \$ 2,052,936 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 26,556 | \$ 40,177 |
| Accrued payroll and related expenses | 135,821 | 127,725 |
| Other current liabilities | 5,671 | 761 |
| Operating lease liabilities | 52,413 | - |
| Total current liabilities | 220,461 | 168,663 |
| Other long-term liabilities | 7,351 | - |
| Non-current operating lease liabilities | 153,636 | - |
| Total liabilities | 381,448 | 168,663 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Board-designated for frozen reserve | 704,000 | 704,000 |
| Undesignated | 619,264 | 1,180,273 |
| Total net assets without donor restrictions | 1,323,264 | 1,884,273 |
| Total liabilities and net assets | \$ 1,704,712 | \$ 2,052,936 |

See independent auditor's report and accompanying notes.

National Watermelon Promotion Board

STATEMENTS OF ACTIVITIES

Years Ended March 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| REVENUES | | |
| Assessments - domestic | \$ 2,026,412 | \$ 2,188,424 |
| Assessments - import | 1,155,347 | 1,304,979 |
| MAP revenue | 307,909 | 200,892 |
| Interest and other income | <u>51,775</u> | <u>18,750</u> |
| Total revenues | 3,541,443 | 3,713,045 |
| EXPENSES | | |
| Program expenses | 3,457,323 | 3,187,231 |
| General and administrative expenses | <u>645,129</u> | <u>591,239</u> |
| Total expenses | <u>4,102,452</u> | <u>3,778,470</u> |
| Change in net assets without donor restrictions | (561,009) | (65,425) |
| Net assets without donor restrictions, beginning of year | <u>1,884,273</u> | <u>1,949,698</u> |
| Net assets without donor restrictions, end of year | <u>\$ 1,323,264</u> | <u>\$ 1,884,273</u> |

See independent auditor's report and accompanying notes.

National Watermelon Promotion Board

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2023 and 2022

| | 2023 | 2022 |
|--|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets without donor restrictions | \$ (561,009) | \$ (65,425) |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) activities: | | |
| Non-cash rent | 50,933 | - |
| Depreciation and amortization | 37,547 | 44,708 |
| Loss on disposal of equipment | 8,564 | - |
| Cash provided by (used for): | | |
| Assessments receivable | (17,497) | (94,345) |
| MAP receivable | (3,632) | 11,287 |
| Prepaid expenses and other assets | (6,237) | (27,133) |
| Accounts payable and accrued expenses | (13,621) | (57,093) |
| Lease liabilities | (48,614) | - |
| Accrued payroll and related expenses | 8,096 | 14,287 |
| | <u>(545,470)</u> | <u>(173,714)</u> |
| Net cash used in operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal | 1,450 | - |
| Purchase of equipment | (19,095) | (4,446) |
| Purchase of certificates of deposit | (990,932) | (704,000) |
| Proceeds from maturity of certificates of deposit | 990,932 | 495,127 |
| | <u>(17,645)</u> | <u>(213,319)</u> |
| Net cash used in investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from finance lease | 17,157 | - |
| Payments on finance lease | (4,896) | (8,973) |
| | <u>12,261</u> | <u>(8,973)</u> |
| Net cash provided by (used in) financing activities | | |
| Decrease in cash and cash equivalents | (550,854) | (396,006) |
| Cash and equivalents, beginning of year | 1,072,208 | 1,468,214 |
| Cash and equivalents, end of year | <u>\$ 521,354</u> | <u>\$ 1,072,208</u> |
| SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION | | |
| Cash paid for interest | <u>\$ 395</u> | <u>\$ 188</u> |
| SIGNIFICANT NON-CASH TRANSACTIONS - OPERATING LEASE | | |
| Operating lease right-of-use asset | \$ 254,663 | \$ - |
| Operating lease liability | (254,663) | - |
| | <u>\$ -</u> | <u>\$ -</u> |

See independent auditor's report and accompanying notes.

National Watermelon Promotion Board

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended March 31, 2023

| | Program Expenses | | | | | Total | General and Administrative Expenses | Total |
|---------------------------------------|---------------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------------------------|---------------------|
| | Marketing | Communications | Industry Affairs | Program Research | Food Service | | | |
| Payroll | \$ 140,042 | \$ 241,075 | \$ 221,570 | \$ - | \$ 172,971 | \$ 775,658 | \$ 215,156 | \$ 990,814 |
| Advertising/ promotions | 321,587 | - | - | - | 57,771 | 379,358 | - | 379,358 |
| Match MAP program | 332,028 | - | - | - | - | 332,028 | - | 332,028 |
| Employee benefits | 20,436 | 38,403 | 61,054 | - | 49,630 | 169,523 | 154,678 | 324,201 |
| Research studies | - | - | - | 301,031 | - | 301,031 | - | 301,031 |
| Digital communication | - | 229,721 | - | - | - | 229,721 | - | 229,721 |
| Press outreach | - | 180,910 | - | - | - | 180,910 | - | 180,910 |
| Industry meetings/ events | - | - | 6,376 | - | 160,189 | 166,565 | - | 166,565 |
| Industry outreach | - | 37,746 | - | - | 88,549 | 126,295 | - | 126,295 |
| Travel | 28,306 | 23,183 | - | - | 32,201 | 83,690 | 35,524 | 119,214 |
| Consulting fees | - | 114,449 | - | - | - | 114,449 | - | 114,449 |
| Agency fees | 14,605 | 29,681 | 19,364 | 942 | 15,547 | 80,139 | 32,932 | 113,071 |
| Board meeting | - | - | - | - | - | - | 108,381 | 108,381 |
| Retail operations contracts | 96,383 | - | - | - | - | 96,383 | - | 96,383 |
| Consumer communication | - | 95,683 | - | - | - | 95,683 | - | 95,683 |
| Rent and utilities | 10,378 | 21,090 | 13,759 | 670 | 11,047 | 56,944 | 20,537 | 77,481 |
| Strategic planning and research | - | - | 46,332 | - | - | 46,332 | - | 46,332 |
| Special events | - | 45,340 | - | - | - | 45,340 | - | 45,340 |
| Tradeshaw | 42,638 | - | - | - | - | 42,638 | - | 42,638 |
| Depreciation and amortization | 4,850 | 9,856 | 6,430 | 313 | 5,163 | 26,612 | 10,935 | 37,547 |
| Training | 15,675 | 10,471 | - | - | - | 26,146 | - | 26,146 |
| Audit fees | 3,291 | 6,687 | 4,363 | 212 | 3,503 | 18,056 | 7,420 | 25,476 |
| Software/ hardware maintenance | - | - | 3,000 | - | - | 3,000 | 15,299 | 18,299 |
| Culinary education | - | - | - | - | 16,224 | 16,224 | - | 16,224 |
| Telephone | 1,999 | 4,062 | 2,650 | 129 | 2,128 | 10,968 | 4,507 | 15,475 |
| Industry compliance | - | - | 14,709 | - | - | 14,709 | - | 14,709 |
| Insurance | - | - | - | - | - | - | 12,923 | 12,923 |
| Rental equipment | - | - | - | - | - | - | 9,471 | 9,471 |
| Gain/loss on disposal of fixed assets | - | - | - | - | - | - | 8,564 | 8,564 |
| Postage and delivery | 719 | 2,156 | 528 | - | 3,979 | 7,382 | 833 | 8,215 |
| Office supplies | 789 | 1,603 | 1,046 | 51 | 840 | 4,329 | 1,779 | 6,108 |
| Fulfillment storage | 4,966 | - | - | - | - | 4,966 | - | 4,966 |
| Dues and subscriptions | - | - | - | - | - | - | 3,365 | 3,365 |
| Bank charges | - | - | - | - | - | - | 2,310 | 2,310 |
| Miscellaneous | 1,514 | - | - | - | - | 1,514 | - | 1,514 |
| Ongoing opportunities | - | - | - | - | 730 | 730 | - | 730 |
| Interest | - | - | - | - | - | - | 395 | 395 |
| Legal | - | - | - | - | - | - | 120 | 120 |
| Total | \$ 1,040,206 | \$ 1,092,116 | \$ 401,181 | \$ 303,348 | \$ 620,472 | \$ 3,457,323 | \$ 645,129 | \$ 4,102,452 |

See independent auditor's report and accompanying notes.

National Watermelon Promotion Board

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended March 31, 2022

| | Program Expenses | | | | | Total | General and Administrative Expenses | Total |
|---------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------------------------|---------------------|
| | Marketing | Communications | Industry Affairs | Program Research | Food Service | | | |
| Payroll | \$ 132,440 | \$ 209,208 | \$ 205,578 | \$ - | \$ 153,874 | \$ 701,100 | \$ 207,642 | \$ 908,742 |
| Advertising/ promotions | 321,935 | - | - | - | 92,472 | 414,407 | - | 414,407 |
| Employee benefits | 19,526 | 42,912 | 65,891 | - | 39,309 | 167,638 | 143,161 | 310,799 |
| Research studies | - | - | - | 227,559 | - | 227,559 | - | 227,559 |
| Match MAP program | 221,986 | - | - | - | - | 221,986 | - | 221,986 |
| Digital communication | - | 215,881 | - | - | - | 215,881 | - | 215,881 |
| Press outreach | - | 160,898 | - | - | - | 160,898 | - | 160,898 |
| Industry meetings/ events | - | - | 4,694 | - | 140,080 | 144,774 | - | 144,774 |
| Consulting fees | - | 140,533 | - | - | - | 140,533 | - | 140,533 |
| Consumer communication | - | 121,835 | - | - | - | 121,835 | - | 121,835 |
| Industry outreach | - | 40,265 | - | - | 75,632 | 115,897 | - | 115,897 |
| Agency fees | 14,113 | 28,681 | 18,711 | 910 | 15,023 | 77,438 | 31,822 | 109,260 |
| Retail operations contracts | 98,183 | - | - | - | - | 98,183 | - | 98,183 |
| Board meeting | - | - | - | - | - | - | 87,608 | 87,608 |
| Travel | 19,420 | 14,712 | - | - | 23,130 | 57,262 | 24,440 | 81,702 |
| Rent and utilities | 10,313 | 20,958 | 13,673 | 665 | 10,978 | 56,587 | 23,254 | 79,841 |
| Special events | - | 58,706 | - | - | - | 58,706 | - | 58,706 |
| Depreciation and amortization | 5,775 | 11,736 | 7,656 | 373 | 6,147 | 31,687 | 13,021 | 44,708 |
| Strategic planning and research | - | - | 34,398 | - | - | 34,398 | - | 34,398 |
| Tradeshaw | 32,727 | - | - | - | - | 32,727 | - | 32,727 |
| Audit fees | 4,081 | 8,294 | 5,411 | 263 | 4,345 | 22,394 | 9,203 | 31,597 |
| Software/ hardware maintenance | - | - | 3,150 | - | - | 3,150 | 13,983 | 17,133 |
| Telephone | 2,153 | 4,375 | 2,854 | 139 | 2,291 | 11,812 | 4,854 | 16,666 |
| Training | 9,931 | 6,252 | - | - | - | 16,183 | - | 16,183 |
| Industry compliance | - | - | 13,830 | - | - | 13,830 | - | 13,830 |
| Insurance | - | - | - | - | - | - | 12,735 | 12,735 |
| Office supplies | 1,426 | 2,897 | 1,890 | 92 | 1,518 | 7,823 | 3,214 | 11,037 |
| Rental equipment | - | - | - | - | - | - | 9,659 | 9,659 |
| Ongoing opportunities | - | - | - | - | 9,040 | 9,040 | - | 9,040 |
| Postage and delivery | 287 | 2,814 | 1,957 | - | 2,809 | 7,867 | 695 | 8,562 |
| Fulfillment storage | 6,390 | - | - | - | - | 6,390 | - | 6,390 |
| Culinary education | - | - | - | - | 5,830 | 5,830 | - | 5,830 |
| Miscellaneous | 3,416 | - | - | - | - | 3,416 | - | 3,416 |
| Bank charges | - | - | - | - | - | - | 2,354 | 2,354 |
| Printing | - | - | - | - | - | - | 1,667 | 1,667 |
| Dues and subscriptions | - | - | - | - | - | - | 1,204 | 1,204 |
| Legal | - | - | - | - | - | - | 535 | 535 |
| Interest | - | - | - | - | - | - | 188 | 188 |
| Total | \$ 904,102 | \$ 1,090,957 | \$ 379,693 | \$ 230,001 | \$ 582,478 | \$ 3,187,231 | \$ 591,239 | \$ 3,778,470 |

See independent auditor's report and accompanying notes.

National Watermelon Promotion Board

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

1. Nature of Activities

The National Watermelon Promotion Board (the Board) is authorized by the Watermelon Research and Promotion Act of 1985 (the Act) 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 five districts based on domestic watermelon production in the United States. Each district has a representative on the Executive Committee of the Board of Directors. There are also nine representatives of watermelon importers and one public member on the Board of Directors. 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

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.

Assessments Receivable

Assessments receivable represent assessments due from domestic producers and handlers that the Board was notified of before the cash was collected. Assessments are collected by the Board directly from domestic producers and handlers. The Board evaluates the collectability of its assessments 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, 2023 and 2022, and an allowance was not necessary. During 2022, the Office of the General Council issued a waiver for late penalties and interest fees totaling \$5,791.

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

March 31, 2023

2. Summary of Significant Accounting Policies (continued)

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, 2023 and 2022.

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. Import assessment revenue is recognized when the cash is received as notification of amount to be received is not provided prior to cash receipt. Domestic assessment revenue is recognized when the Board is notified of the amount of the assessment. The rate of assessment is proposed by the Board and approved by the Secretary of Agriculture. The assessment rate from April 1, 2021 through March 31, 2023 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 in compliance with the MAP grant provisions. As a participant, the Board must contribute its own resources equivalent to a minimum of 50% of total amounts reimbursed by the program, which are recorded as MAP matching expenses within marketing expenses. At March 31, 2023 and 2022, reimbursements due from FAS to the Board are \$6,002 and \$2,370, respectively, and are considered fully collectible.

National Watermelon Promotion Board

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

2. Summary of Significant Accounting Policies (continued)

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 assessments receivable, MAP program receivable, accounts payable, accrued expenses, and accrued payroll. 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, 2023 and 2022, 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.

National Watermelon Promotion Board

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

2. Summary of Significant Accounting Policies (continued)

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.

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 Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, that requires lessees to put most leases on its balance sheets and recognize expenses on its income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The Board adopted the lease standard effective April 1, 2022 using the optional transition method, which applies the provisions of the standard at the effective date without adjusting the prior period.

3. Property and Equipment

Property and equipment consists of the following at March 31:

| | Useful Lives (Years) | 2023 | 2022 |
|---|-------------------------|------------------|------------------|
| Computer hardware | 5 | \$ 44,066 | \$ 51,095 |
| Office furniture and equipment | 5-7 | 26,074 | 26,074 |
| Website | 3 | 107,400 | 107,400 |
| Leasehold improvements | 3-5 | 13,503 | 13,503 |
| | | 191,043 | 198,072 |
| Less: accumulated depreciation and amortization | | (147,879) | (126,442) |
| | | <u>\$ 43,164</u> | <u>\$ 71,630</u> |

Depreciation and amortization expenses were \$37,547 and \$44,708 for the years ended March 31, 2023 and 2022, respectively.

National Watermelon Promotion Board

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

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 \$84,799 and \$80,118 for the years ended March 31, 2023 and 2022, respectively, which is included in employee benefits expense on the accompanying statements of functional expenses.

5. Leases

As disclosed in Note 2, the Board adopted FASB ASU 2016-02. The Board leased its office space under an operating lease and equipment under a financing lease. These leases are the only leases required to be included on the balance sheet under FASB ASU 2016-02. As a result, adopting FASB ASU 2016-02 had no impact to prior year balance sheet information, and because the leases are operating and financing leases, the adoption of this standard has no impact on the results of operations.

The Board has elected to apply the short-term lease exception to all leases with a term of one year or less. As of March 31, 2023, the Board does not have any short-term leases.

The following summarizes the line items in the statements of financial position which include amounts for operating and finance leases as of March 31, 2023:

Operating Lease

| | |
|---|-------------------|
| Operating lease right-of-use-assets | <u>\$ 203,730</u> |
| Operating lease liabilities | \$ 52,413 |
| Non-current operating lease liabilities | <u>153,636</u> |
| Total operating lease liabilities | <u>\$ 206,049</u> |

Finance Lease

| | |
|---------------------------------|------------------|
| Property and equipment | \$ 17,158 |
| Accumulated depreciation | <u>(1,287)</u> |
| Property and equipment, net | <u>\$ 15,871</u> |
| Other current liabilities | \$ 5,671 |
| Other long-term liabilities | <u>7,351</u> |
| Total finance lease liabilities | <u>\$ 13,022</u> |

National Watermelon Promotion Board

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

5. Leases (continued)

The following summarizes the weighted average remaining lease term and discount rate as of March 31, 2023:

Weighted Average Remaining Lease Term

| | |
|-----------------|-----------|
| Operating lease | 43 months |
| Finance lease | 27 months |

Weighted Average Discount Rate

| | |
|-----------------|-------|
| Operating lease | 5.50% |
| Finance lease | 3.23% |

The maturities of lease liabilities as of March 31, 2023 were as follows:

| Year ending March 31: | <u>Operating</u> | <u>Finance</u> |
|----------------------------------|-------------------|------------------|
| 2024 | \$ 62,229 | \$ 6,008 |
| 2025 | 63,215 | 6,008 |
| 2026 | 64,215 | 1,502 |
| 2027 | 37,806 | - |
| Total lease payments | <u>227,465</u> | <u>13,518</u> |
| Less: interest | <u>(21,416)</u> | <u>(496)</u> |
| Present value of lease liability | <u>\$ 206,049</u> | <u>\$ 13,022</u> |

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended March 31, 2023:

| | |
|--|------------------|
| Operating lease expense included in rent | <u>\$ 62,818</u> |
| Finance lease costs: | |
| Amortization of lease assets included in depreciation and amortization | \$ 1,287 |
| Interest on lease liabilities included in interest | 371 |
| Total finance lease costs | <u>\$ 1,658</u> |

The following summarizes cash flow information related to leases for the year ended March 31, 2023:

| | |
|---|----------|
| Cash paid for amounts included in measurement of lease liabilities: | |
| Operating cash flows from operating leases | \$ 2,368 |
| Operating cash flows from finance leases | 1,287 |
| Financing cash flows from finance leases | (4,136) |

National Watermelon Promotion Board

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

6. Net Assets Without Donor Restrictions

The Board's net assets without donor restrictions are comprised of undesignated and Board of Director designated amounts for the following purpose at March 31:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|---------------------|---------------------|
| Undesignated | \$ 619,264 | \$ 1,180,273 |
| Board-designated frozen reserve | <u>704,000</u> | <u>704,000</u> |
| | <u>\$ 1,323,264</u> | <u>\$ 1,884,273</u> |

7. Liquidity and Availability of Resources

The following table reflects the Board's assets, 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.

| | <u>2023</u> | <u>2022</u> |
|---|----------------|----------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 521,354 | \$ 1,072,208 |
| Assessments receivable | 136,567 | 119,070 |
| MAP program receivable | 6,002 | 2,370 |
| Certificates of deposit | <u>704,000</u> | <u>704,000</u> |
| Financial assets at the end of the year | 1,367,923 | 1,897,648 |

Amounts unavailable for general expenditures within one year without Board of Directors approval:

| | | |
|--|-------------------|---------------------|
| Board designated frozen reserve | <u>(704,000)</u> | <u>(704,000)</u> |
| Financial assets to meet cash needs for general expenditures within one year | <u>\$ 663,923</u> | <u>\$ 1,193,648</u> |

At March 31, 2023, the Board has \$663,923 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 collateralized. 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.

National Watermelon Promotion Board

NOTES TO FINANCIAL STATEMENTS

March 31, 2023

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. Concentrations of Credit Risk

The Board holds all cash and cash equivalent accounts and certificates of deposits at federally insured financial institutions and any amounts over federally insured limits are collateralized. The Board maintains its cash and cash equivalents and certificates of deposit with what management believes to be high-credit, quality financial institutions and the Board has not experienced any losses on such accounts.

10. Subsequent Events

The Board has evaluated events and transactions occurring subsequent to March 31, 2023 as of July 12, 2023, which is the date the financial statements were available to be issued. Subsequent events occurring after July 12, 2023 have not been evaluated by management. No material events have occurred since March 31, 2023 that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the 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. The 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. Such 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida

July 12, 2023

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
Renee C. Varga
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National Watermelon Promotion Board

SCHEDULE OF REVENUES AND EXPENDITURES - ACTUAL COMPARED TO BUDGET

Year Ended March 31, 2023

| | <u>Actual</u> | <u>Budget</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|---------------------|---------------------|---|
| REVENUES | | | |
| Assessments - domestic | \$ 2,026,412 | \$ 2,324,566 | \$ (298,154) |
| Assessments - import | 1,155,347 | 1,139,676 | 15,671 |
| MAP revenue | 307,909 | 297,102 | 10,807 |
| Interest and other income | 51,775 | 30,589 | 21,186 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 3,541,443 | 3,791,933 | (250,490) |
| EXPENSES | | | |
| Program expenses | | | |
| Marketing | 1,040,206 | 1,038,393 | (1,813) |
| Communications | 1,092,116 | 1,041,186 | (50,930) |
| Industry affairs | 401,181 | 393,922 | (7,259) |
| Program research | 303,348 | 327,202 | 23,854 |
| Food service | 620,472 | 572,203 | (48,269) |
| | <hr/> | <hr/> | <hr/> |
| Total program expenses | 3,457,323 | 3,372,906 | (84,417) |
| General and administrative expenses | 645,129 | 804,972 | 159,843 |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 4,102,452 | 4,177,878 | 75,426 |
| | <hr/> | <hr/> | <hr/> |
| Change in net assets without donor restrictions | <u>\$ (561,009)</u> | <u>\$ (385,945)</u> | <u>\$ (175,064)</u> |

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 independent auditor's report.

National Watermelon Promotion Board

SCHEDULE OF PROGRAM EXPENSES - ACTUAL COMPARED TO BUDGET

Year Ended March 31, 2023

| | Actual | Budget | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|--|
| Marketing Expenses | | | |
| Fulfillment storage | \$ 4,966 | \$ 7,000 | \$ 2,034 |
| Tradeshows | 42,638 | 34,000 | (8,638) |
| Postage and shipping | 719 | 2,000 | 1,281 |
| Retail promotions and marketing | 296,911 | 345,105 | 48,194 |
| Retail advertising | 24,677 | 25,000 | 323 |
| Retail education and promo | 15,675 | 15,750 | 75 |
| Miscellaneous expenses | 1,514 | 2,000 | 486 |
| MAP matching expenses | 24,119 | 23,000 | (1,119) |
| MAP expense reimbursed | 307,909 | 298,602 | (9,307) |
| Retail contracts | 96,383 | 96,645 | 262 |
| Staff support | 188,785 | 189,291 | 506 |
| Allocated indirect expenses | 35,910 | - | (35,910) |
| Total Marketing Expenses | <u>1,040,206</u> | <u>1,038,393</u> | <u>(1,813)</u> |
| Communication Expenses | | | |
| Program travel | 23,183 | 25,000 | 1,817 |
| Postage and shipping | 2,156 | 2,500 | 344 |
| Third-party consultants | 114,449 | 120,750 | 6,301 |
| Special events | 45,340 | 47,500 | 2,160 |
| Press outreach | 180,910 | 193,350 | 12,440 |
| Consumer communications | 95,683 | 100,850 | 5,167 |
| Industry communications | 37,746 | 30,000 | (7,746) |
| Digital communications | 229,721 | 236,130 | 6,409 |
| Training | 10,471 | 11,750 | 1,279 |
| Staff support | 279,477 | 273,356 | (6,121) |
| Allocated indirect expenses | 72,980 | - | (72,980) |
| Total Communication Expenses | <u>1,092,116</u> | <u>1,041,186</u> | <u>(50,930)</u> |
| Industry Affairs Expenses | | | |
| Compliance program | 14,709 | 18,000 | 3,291 |
| Computer hardware | - | 12,000 | 12,000 |
| Computer software | 3,000 | - | (3,000) |
| Handler report re-printing | - | 500 | 500 |
| Postage and shipping | 528 | 2,500 | 1,972 |
| Database programming | - | 12,000 | 12,000 |
| Strategic planning session | 46,332 | 40,000 | (6,332) |
| Industry meetings | 6,376 | 10,000 | 3,624 |
| Staff support | 282,624 | 298,922 | 16,298 |
| Allocated indirect expenses | 47,612 | - | (47,612) |
| Total Industry Affairs Expenses | <u>401,181</u> | <u>393,922</u> | <u>(7,259)</u> |
| Program Research Expenses | | | |
| Program research | 301,031 | 327,202 | 26,171 |
| Allocated indirect expenses | 2,317 | - | (2,317) |
| Total Program Research Expenses | <u>303,348</u> | <u>327,202</u> | <u>23,854</u> |
| Food Service Expenses | | | |
| Culinary education | 16,224 | 11,500 | (4,724) |
| Public relations | 88,549 | 91,500 | 2,951 |
| Industry events | 160,189 | 137,500 | (22,689) |
| Promotions | 57,771 | 86,000 | 28,229 |
| Ongoing opportunities | 730 | 2,500 | 1,770 |
| Onsite coordination | 32,201 | 27,000 | (5,201) |
| Postage and shipping | 3,979 | 4,000 | 21 |
| Staff support | 222,602 | 212,203 | (10,399) |
| Allocated indirect expenses | 38,227 | - | (38,227) |
| Total Food Service Expenses | <u>620,472</u> | <u>572,203</u> | <u>(48,269)</u> |
| Total Program Expenses | <u>\$ 3,457,323</u> | <u>\$ 3,372,906</u> | <u>\$ (84,417)</u> |

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 the financial statements. This schedule reflects indirect expenses that are allocated to the various programs that are included in general and administrative expenses for budget purposes.

See independent auditor's report.

National Watermelon Promotion Board

**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES -
ACTUAL COMPARED TO BUDGET**

Year Ended March 31, 2023

| | Actual | Budget | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|--|
| Administrative Expenses | | | |
| Staff travel | \$ 29,524 | \$ 18,000 | \$ (11,524) |
| Legal | 120 | 3,600 | 3,480 |
| Bank charges | 2,310 | 2,700 | 390 |
| Dues and subscriptions | 3,365 | 1,200 | (2,165) |
| Office equipment lease / rental | 9,471 | 9,000 | (471) |
| Computer equipment | - | 3,600 | 3,600 |
| Furniture | - | 1,200 | 1,200 |
| Interest expense | 395 | - | (395) |
| Annual audit | 25,475 | 33,700 | 8,225 |
| Office supplies | 6,108 | 12,000 | 5,892 |
| Printing | - | 1,200 | 1,200 |
| Postage and shipping | 833 | 1,200 | 367 |
| Office lease and utilities | 77,481 | 72,000 | (5,481) |
| Equipment maintenance | 15,299 | 14,400 | (899) |
| Staff support | 388,758 | 373,763 | (14,995) |
| Telephone service and support | 15,473 | 16,800 | 1,327 |
| Loss on disposal of fixed assets | 8,564 | - | (8,564) |
| Total Administrative Expenses | <u>583,176</u> | <u>564,363</u> | <u>(18,813)</u> |
| Board Expenses | | | |
| Meeting travel | 43,641 | 19,000 | (24,641) |
| Board meeting accommodations | 7,903 | 18,000 | 10,097 |
| Staff support | 56,837 | 56,609 | (228) |
| Total Board Expenses | <u>108,381</u> | <u>93,609</u> | <u>(14,772)</u> |
| Agency Fees | | | |
| USDA Agricultural Marketing Service user fees | 113,072 | 147,000 | 33,928 |
| Office of general council | - | - | - |
| Total Agency Fees | <u>113,072</u> | <u>147,000</u> | <u>33,928</u> |
| Depreciation and Amortization | 37,546 | - | (37,546) |
| Less: allocated indirect expenses | <u>(197,046)</u> | <u>-</u> | <u>197,046</u> |
| Total General and Administrative Expenses | <u>\$ 645,129</u> | <u>\$ 804,972</u> | <u>\$ 159,843</u> |

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 the financial statements. This schedule reflects indirect expenses that are allocated to the various programs that are included in general and administrative expenses for budget purposes.

See independent auditor's report.

National Watermelon Promotion Board

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended March 31, 2023

| | Total |
|--|-------------------|
| Sources of Cash and Cash Equivalents | |
| Receipts: | |
| Assessments - domestic | \$ 2,008,915 |
| Assessments - import | 1,155,347 |
| MAP program revenue | 304,277 |
| Interest and other income | 51,775 |
| Total Receipts | 3,520,314 |
| Uses of Cash and Cash Equivalents | |
| Disbursements: | |
| Marketing | 985,273 |
| Communications | 1,019,136 |
| Industry affairs | 353,569 |
| Program research | 301,031 |
| Food service | 582,245 |
| Administrative | 620,722 |
| Board meetings | 108,381 |
| Agency fees | 113,072 |
| Total Disbursements | 4,083,429 |
| Cash and Cash Equivalents Used by Operations Before Other Sources | (563,115) |
| Other Sources (Uses) of Cash and Cash Equivalents | |
| Proceeds from maturity of certificates of deposit | 990,932 |
| Purchase of certificates of deposit | (990,932) |
| Proceeds from finance lease | 17,157 |
| Payments on finance lease | (4,896) |
| Total Other Sources of Cash and Cash Equivalents | 12,261 |
| Decrease in Cash and Cash Equivalents | (550,854) |
| Cash and equivalents, beginning of year | 1,072,208 |
| Cash and equivalents, end of year | \$ 521,354 |

See independent auditor's report.

National Watermelon Promotion Board

SCHEDULE OF PROPERTY AND EQUIPMENT

Year Ended March 31, 2023

| Date Acquired | Description | Original Cost |
|----------------------|--|----------------------|
| | Computer Hardware | |
| 09/29/2008 | Yamaha Keyboard | \$ 1,600 |
| 11/19/2009 | Isystor 26825 CD DVD Duplicator | 825 |
| 11/10/2010 | MAX - Firebox and Harddrive | 1,559 |
| 11/03/2011 | Recording Mixer | 579 |
| 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 |
| 10/06/2014 | Conference Room TV | 1,310 |
| 08/02/2016 | Meraki Wifi Hub | 1,031 |
| 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 |
| 04/02/2021 | MBA 13.3 GLD/BA CPU Serial FVFFHOZLQ6MO | 2,248 |
| 03/16/2022 | IMAC 24" Silver/8C CPU Serial H4THF04IQ6X3 | 2,197 |
| 07/14/2022 | IMAC 24" Silver/8C 4.5k Retina | 1,937 |
| 07/25/2022 | CIT Apple Lease dated 7/25/22 | 17,158 |
| | Total Computer Hardware | 44,066 |
| | Office Equipment and Furniture | |
| 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 |
| 03/30/2010 | Large Watermelon Pastel - Framed | 961 |
| 09/11/2014 | Wireless Planet - Office Furniture | 4,900 |
| 11/04/2014 | Office Table and Chairs | 878 |
| 07/18/2016 | Digital Tent Top and Tent (10'x20') | 2,903 |
| 09/13/2016 | Canon EOS Rebel T6I 24.2 MP Camera | 749 |
| 04/01/2017 | Ring Central Phone System | 1,669 |
| | Total Office Equipment and Furniture | 26,074 |
| | Website | |
| 11/30/2019 | Supplier Database | 30,600 |
| 11/30/2019 | Watermelon Website Database | 76,800 |
| | Total for Website | 107,400 |
| | Lease Improvements | |
| 03/31/2016 | Leasehold Improvements | 9,400 |
| 06/13/2016 | Kalos custom cabinets | 4,103 |
| | Total Lease Improvements | 13,503 |
| | Total | \$ 191,043 |

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 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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated July 12, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that have not been identified.

Partners

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Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida

July 12, 2023



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REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, AND CONTRACTS

To the 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, 2023, 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 12, 2023.

In connection with our audit of the Board's financial statements, we tested compliance with selected provisions of applicable laws, statutes, regulations, rules and provisions of contracts 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.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts applicable to the Board.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance, whether due to fraud or error, with the selected provisions of applicable laws, statutes, regulations, rules, and provisions of contracts 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, statutes, regulations, rules, and provisions of contracts applicable to the Board. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board's compliance with the requirements of the selected provisions of applicable laws, statutes, regulations, rules, and provisions of contracts applicable to the Board.

Auditor's Responsibilities for the Audit of Compliance (continued)

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board's compliance with the selected provisions of applicable laws, statutes, regulations, rules and provisions of contracts 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, 2023 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 (the Act) 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, statutes, regulations, rules, and provisions of contracts 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 Act, insofar as they relate to accounting matters.

The purpose of this report on compliance with laws, statutes, regulations, rules, and provisions of contracts is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, statutes, regulations, rules, and provisions of contracts and the results of that testing, and not to provide an opinion on compliance. This report on compliance with laws, statutes, regulations, rules, and provisions of contracts 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida

July 12, 2023