

AMERICAN PECAN PROMOTION BOARD

Financial Statements

For the Year Ended September 30, 2023

AMERICAN PECAN PROMOTION BOARD

Financial Statements

For the Year Ended September 30, 2023

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Independent Auditor's Report

To the Members of
American Pecan Promotion Board
Fort Worth, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the enterprise fund of the American Pecan Promotion Board (the Board) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund of the Board, as of September 30, 2023, and the respective changes in financial position, and its cash flows thereof for the year 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Adoption of New Accounting Standard

As discussed in Note 10 to the financial statements, the Board has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for the year ended September 30, 2023. As a result of implementing the standard there was no effect on the beginning net position. Our opinion is not modified with respect to this matter.

Correction of Error

As discussed in Note 9 to the financial statements, the Board incorrectly reported its financial statement as of and for the year ended September 30, 2022 under generally accepted accounting principles for nongovernment entities as set by the Financial Accounting Standards Board (FASB); it should have reported under generally accepted accounting principles in accordance with governmental accounting and financial reporting as set by the Governmental Accounting Standards Board (GASB). The Board has corrected the financial statement presentation of the financial statements and related disclosures to be in accordance with the GASB financial reporting framework. Our opinion is not modified with respect to that matter.

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 GAAS 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 GAAS 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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The budgetary comparison schedule for the enterprise fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary comparison schedule for the enterprise fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024 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 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 Board's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Esde Sully LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
October 24, 2024

AMERICAN PECAN PROMOTION BOARD

Management's Discussion and Analysis

As management of the American Pecan Promotion Board (the Board), we offer readers this narrative overview and analysis of the financial activities of the Board for the year ended September 30, 2023. The Management's Discussion and Analysis should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements are comprised of four components: 1) Statement of Net Position – Enterprise Fund, 2) Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund, 3) Statement of Cash Flows – Enterprise Fund, and 4) Notes to the Basic Financial Statements.

Financial Analysis of the Board's Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Board has one proprietary fund, an enterprise fund.

Proprietary Fund

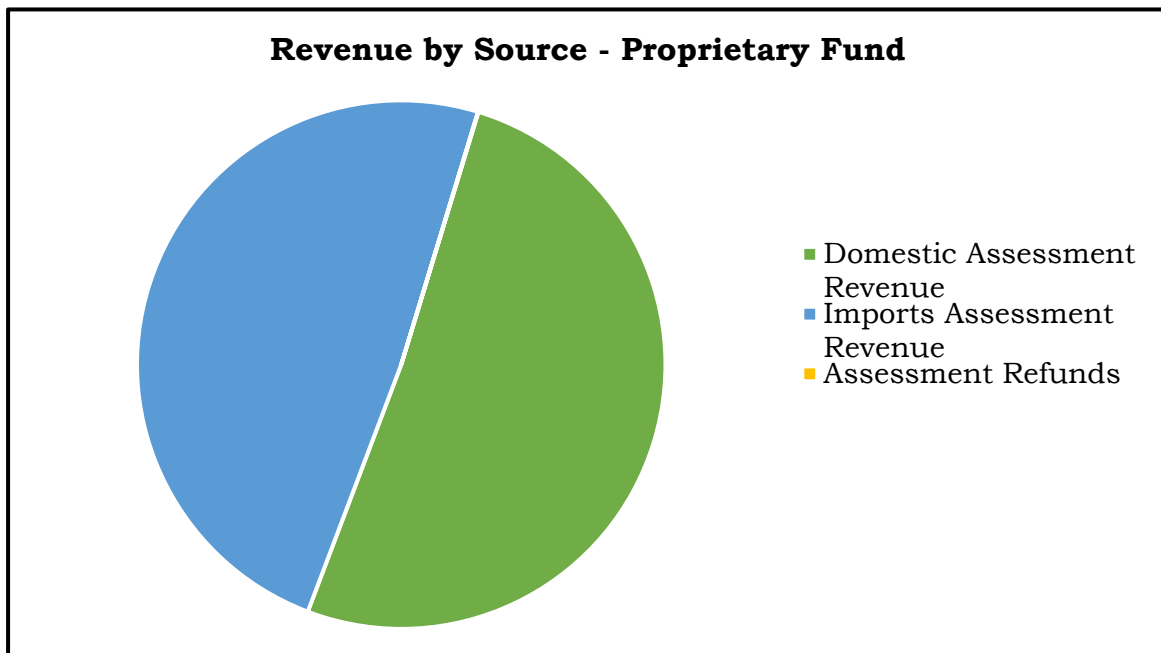
The Board's proprietary fund, specifically an enterprise fund, reported unrestricted net position of \$9,326,652, an increase of \$2,268,905 or 32.15% in comparison with the prior year. The net increase is due to the Board's increase in assessment income, which is the result of an increased awareness of the new program.

	2023	2022 As Restated
ASSETS:		
Current and Other Assets	\$ 10,372,657	\$ 7,120,939
Noncurrent Assets	84,274	130,216
Total Assets	<u>\$ 10,456,931</u>	<u>\$ 7,251,155</u>
LIABILITIES:		
Current Liabilities	\$ 1,091,744	\$ 63,192
Long-term Liabilities	37,873	130,216
Total Liabilities	<u>\$ 1,129,617</u>	<u>\$ 193,408</u>
NET POSITION:		
Investment in Capital Assets	\$ 662	\$ -0-
Unrestricted	9,326,652	7,057,747
Total Net Position	<u>\$ 9,327,314</u>	<u>\$ 7,057,747</u>
Total Liabilities and Net Position	<u>\$ 10,456,931</u>	<u>\$ 7,251,155</u>

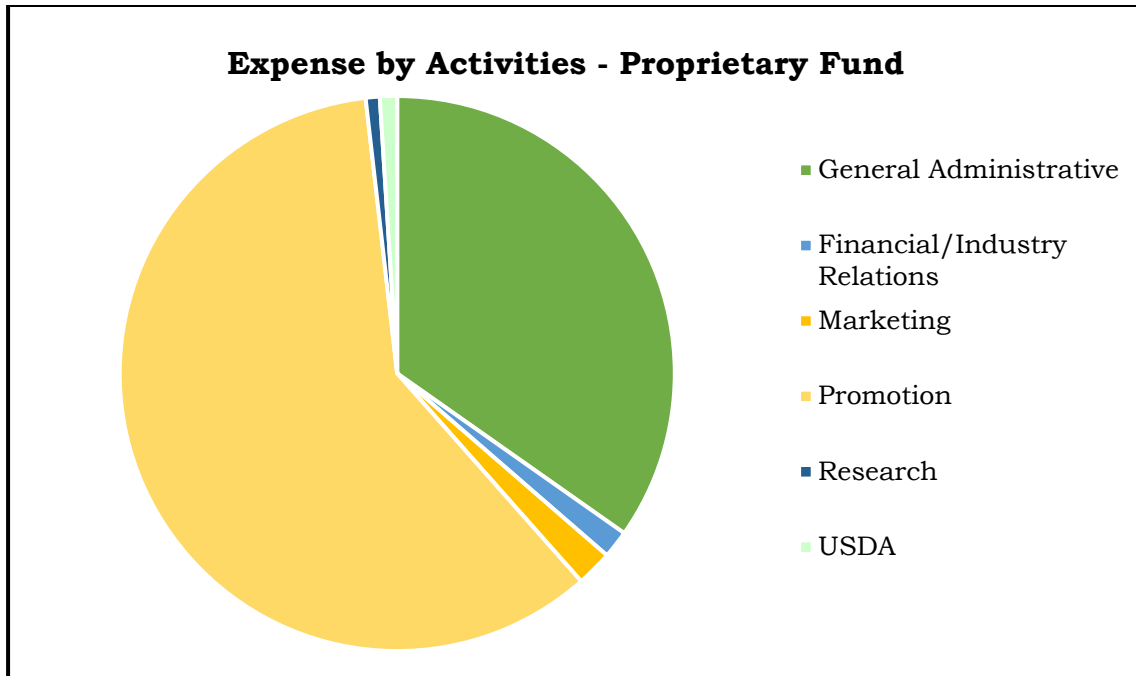
The Board's total net position increased by \$2,269,567 for the fiscal year ended September 30, 2023. The current year increase in net position is due to continued growth and awareness of the new program.

	2023	2022
REVENUE:		
Operating Revenue	\$ 10,037,594	\$ 7,983,946
Nonoperating Revenue	-0-	-0-
Total Revenue	<u>\$ 10,037,594</u>	<u>\$ 7,983,946</u>
EXPENSES:		
Operating Expenses	\$ 7,766,758	\$ 926,199
Nonoperating Expenses	1,269	-0-
Total Expenses	<u>\$ 7,768,027</u>	<u>\$ 926,199</u>
Change in Net Position	\$ 2,269,567	\$ 7,057,747
Net Position, Beginning	7,057,747	-0-
Net Position, Ending	<u>\$ 9,327,314</u>	<u>\$ 7,057,747</u>

Revenues for the Board are categorized in the chart below. Of the Board's \$10,037,594 total revenue, \$5,126,135 or 51.07% represents domestic assessment revenue, \$4,914,731 or 48.96% represents import assessment revenue, and (\$3,272) or (0.03)% represents assessment refunds.



Expenses for the Board are categorized in the following chart. Of the Board's \$7,766,758 total operating expenses, \$4,637,882 or 59.71% relates to promotion, \$2,699,189 or 34.75% relates to general administrative expenses, \$162,600 or 2.09% relates to marketing, \$125,628 or 1.62% relates to financial and industry relations, \$78,094 or 1.01% relates USDA support, and \$63,365 or 0.82% relates to research.



The Board has total assets of \$10,456,931. This is an increase in total assets of \$3,205,776. The total change is the net effect of a \$2,635,516 increase in cash, \$2,750,220 increase in accounts receivable, \$2,131,841 decrease in other assets, \$2,177 decrease in prepaid expense, and \$45,942 decrease in capital assets.

Capital Assets

As of the year ended September 30, 2023, the Board had \$84,274 (net of accumulated amortization invested in right of use assets.) Amortization of the right to use assets contributed to the decrease in capital assets.

	2023	2022
Right of Use Assets	\$ 140,416	\$ 140,416
Less: Accumulated Amortization	(56,142)	(10,200)
Net Capital Assets	<u>\$ 84,274</u>	<u>\$ 130,216</u>

Note 5 of the basic financial statements provides additional information on capital assets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes to the basic financial statements, this report also presents certain supplementary information concerning the original and amended budgetary schedules.

Budget

The Board's members approved the fiscal year 2023 budget on July 27, 2022. Operating revenues exceeded budgeted by \$2,037,594. Additionally, the Board's operating and program expenses were \$3,433,242 less than budgeted.

Future Economic Factors and Next Year's Budget

The Board has approved Enterprise Fund budgets in the amount of \$8,000,000 for operating revenues and \$10,000,000 for operating and program expenses for the year ending September 30, 2024. This is a flat budget for operating revenue and a decrease of \$1,200,000 in operating and program expenses for the fiscal year ending 2024. The 2024 expenses are directly offset by non-operating revenues of \$1,200,000, which is a decrease of \$2,000,000 for the fiscal year 2024.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: American Pecan Promotion Board, 3880 Hulen Street, Suite 650, Fort Worth, Texas 76107 or info@eatpecans.com.

BASIC FINANCIAL STATEMENTS

AMERICAN PECAN PROMOTION BOARD

Statement of Net Position- Enterprise Fund

As of September 30, 2023

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	7,515,547
Accounts Receivable, Net of Allowance for Doubtful Accounts		2,816,340
Prepaid Expenses		40,770
		<hr/>
Total Current Assets	\$	10,372,657

Noncurrent Assets:

Right of Use Assets	\$	140,416
Right of Use Assets - Accumulated Amortization	(56,142)
		<hr/>
Total Noncurrent Assets	\$	84,274

TOTAL ASSETS

\$ 10,456,931

LIABILITIES AND NET POSITION

Current Liabilities:

Accounts Payable	\$	1,044,356
Credit Cards Payable		1,495
Interest Payable		154
Current Portion of Lease Obligations Payable		30,475
Current Portion of Subscription Obligations Payable		15,264
		<hr/>
Total Current Liabilities	\$	1,091,744

Long-term Liabilities:

Lease Obligations Payable	\$	31,661
Subscription Obligations Payable		6,212
		<hr/>
Total Long-term Liabilities	\$	37,873
		<hr/>
Total Liabilities	\$	1,129,617

Net Position:

Net Investment in Capital Assets	\$	662
Unrestricted		9,326,652
		<hr/>
Total Net Position	\$	9,327,314

TOTAL LIABILITIES AND NET POSITION

\$ 10,456,931

The accompanying notes are an integral part of this statement.

AMERICAN PECAN PROMOTION BOARD

Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Fund

For the Twelve Months Ended September 30, 2023

Operating Revenues:

Assessment Income - Domestic	\$ 5,126,135
Assessment Income - Imports	4,914,731
Assessment Refunds	<u>(3,272)</u>

Total Operating Revenue \$ 10,037,594

Operating Expenses:

Financial/Industry Relations	\$ 125,628
General and Administrative	2,699,189
Marketing	162,600
Promotion	4,637,882
Research	63,365
USDA	<u>78,094</u>

Total Operating Expenses \$ 7,766,758

Operating Income \$ 2,270,836

Nonoperating Revenues (Expenses):

Interest Expense	<u>(\$ 1,269)</u>
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Total Nonoperating Revenues (Expenses) (\$ 1,269)

Change in Net Position \$ 2,269,567

Net Position, Beginning \$ 7,057,747

Net Position, Ending \$ 9,327,314

The accompanying notes are an integral part of this statement.

AMERICAN PECAN PROMOTION BOARD

Statement of Cash Flows - Enterprise Fund

For the Year Ended September 30, 2023

Cash Flows From Operating Activities:

Cash Received from Assessments	\$ 7,287,374
Cash Paid for Operating Expenses	(4,604,139)
	<hr/>
Net Cash Provided by Operating Activities	\$ 2,683,235
	<hr/>

Cash Flows From Capital and Related Financing Activities:

Cash Paid for Lease Liability - Principal Portion	(\$ 31,693)
Cash Paid for Subscription Liability - Interest Portion	(1,115)
Cash Paid for Subscription Liability - Principal Portion	(14,911)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(\$ 47,719)
	<hr/>

Net Increase in Cash \$ 2,635,516

Cash, Beginning of Period

4,880,031

Cash, End of Period

\$ 7,515,547

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Operating Income	\$ 2,270,836
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization Expense	45,942
Bad Debt Expense	2,131,841
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(2,750,220)
Decrease in Prepaid Expenses	2,177
Increase in Accounts Payable	981,164
Increase in Credit Cards Payable	1,495
	<hr/>
Net Cash Provided by Operating Activities	\$ 2,683,235
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The accompanying notes are an integral part of this statement.

AMERICAN PECAN PROMOTION BOARD

Notes to the Basic Financial Statements

For the Year Ended September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – American Pecan Promotion Board (the Board) is a nonprofit mutual benefit corporation organized under the Agriculture Marketing Services (AMS) and shall have all the powers, duties, authorizations, and responsibilities as provided to nonprofit corporations. Please see Note 9 regarding presentation of the financials in accordance with Governmental Accounting Standards Board (GASB). The Board formed in 2021 to strengthen the position of pecans in the marketplace, maintain and expand markets for pecans, and develop new uses for pecans. The Board is organized and shall be operated to further the Commodity Promotion, Research, and Information Act of 1996 and any amendments thereto.

The Board is subject to a referendum that shall be conducted no later than 3 years after assessments first begin under the Order, and the Order will be approved in referendum if a majority of producers and importers vote for approval in the referendum. The referendum will be held in 2024. The Secretary shall conduct subsequent referenda every 7 years for the purpose of ascertaining whether producers and importers favor the continuation, suspension, or termination of the Order.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The Board's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

The activities of the Board are accounted for within a single proprietary fund type, specifically an enterprise fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting used by the Board is determined by its measurement focus. The transactions of the Board are accounted for on a flow of economic resources measurement focus and utilize the accrual method of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

The operating revenue in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Budgetary Data – The Board adopted its final budget on July 27, 2022 for the October 1, 2022 to September 30, 2023 fiscal year. The budget is adopted on the accrual basis of accounting and is adopted by the Board's members for the purpose of management control.

AMERICAN PECAN PROMOTION BOARD

Notes to the Basic Financial Statements

For the Year Ended September 30, 2023

Cash and Cash Equivalents – The Board considers cash and cash equivalents to include all monies in banks and all highly liquid debt instruments purchased with an original maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Assessments and Assessments Receivable – Domestic and import assessments are recorded at the estimated net amounts to be received.

Producers pay an assessment per pound of pecans produced in the United States. The collection of assessments on pecans produced in the United States will be the responsibility of the first handler receiving the pecans from the producers. Importers of pecans pay an assessment to the Board on pecans imported for marketing in the United States through Customs.

Current collection policy dictates the procedures for assessment collections. These procedures include records listing payments, retention of assessment forms, and producer and importer reports. Reports are reviewed for completeness and calculation correctness. If there are errors, the producer or importer is contacted and given two weeks to respond. If no response, a follow-up-letter is sent, followed up by another letter, prior to referring the debt to the Marketing Field Office (MFO). If these efforts are unsuccessful, the uncollectible debt will be referred to the Marketing Development Division (MDD) of the USDA.

Assessments receivable represent domestic and import assessments incurred and reported before the year ended September 30, 2023. The amounts not expected to be collected within one year are recognized as allowance for uncollectible at fiscal year-end. As of September 30, 2023, the allowance was estimated to be \$3,531,841. The Board must obtain USDA approval before writing off uncollectible debt.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Capital Assets – The Board's policy is to capitalize and depreciate all capital assets with an initial, individual cost of \$500 or more and an estimated life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Leases – The Board is a party as lessee for a non-cancellable long-term building lease. The corresponding lease obligation payable is recorded in an amount equal to the present value of the expected future minimum lease payments paid, discounted by an applicable interest rate.

Subscription-Based Information Technology Arrangements – The Board is a party to two information technology software contracts in which they control the right to use the software. The software contract obligations payable is recorded in an amount equal to the present value of the expected future minimum payments paid, discounted by an applicable interest rate.

AMERICAN PECAN PROMOTION BOARD

Notes to the Basic Financial Statements

For the Year Ended September 30, 2023

NOTE 2: DEPOSITS

The Board maintains interest-bearing cash accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits as of September 30, 2023 were fully secured by the FDIC and securities pledged in the name of the Board.

NOTE 3: NET POSITION

In the Statement of Net Position, equity is classified as Net Position and displayed in two components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated amortization and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets. For the year ended September 30, 2023, the Board had lease obligations payable of \$62,136 and subscription obligations of \$21,476.
- Unrestricted Net Position – remaining net position that does not meet the definition of “Restricted” or “Net Investment in Capital Assets.”

NOTE 4: NET POSITION FLOW ASSUMPTION

Sometimes the government will fund expenses for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 5: NET CAPITAL ASSETS

Current year changes in net capital assets are summarized below.

	Beginning Balance As Restated	Additions	Deletions	Ending Balance
Right of Use Asset - Lease	\$ 104,029	\$ -0-	\$ -0-	\$ 104,029
Right of Use Asset – SBITA	36,387	-0-	-0-	36,387
Less: Amortization – Lease	(10,200)	(32,462)	-0-	(42,662)
Less: Amortization – SBITA	-0-	(13,480)	-0-	(13,480)
Net Capital Assets	<u>\$ 130,216</u>	<u>(\$ 45,942)</u>	<u>\$ -0-</u>	<u>\$ 84,274</u>

NOTE 6: LONG-TERM LIABILITIES

The Board, as a lessee, has entered into a lease agreement for the property located at 3880 Hulen Street, Suite 650. A summary of the lease terms and interest rates are as follows.

AMERICAN PECAN PROMOTION BOARD

Notes to the Basic Financial Statements

For the Year Ended September 30, 2023

Office Lease: The facility is shared with the American Pecan Council with the agreement to split 50% of the cost starting June 30, 2022. Total annual installments are approximately \$32,000. Interest rates are based on the estimated incremental borrowing rate. The installments increase annually in August of each year and end July 31, 2025.

Total Lease Obligations \$62,136

Future minimum lease payments to be received are as follows:

For the Year Ended September 30, 2023	Principal	Interest	Total Payments
2024	\$ 30,475	\$ 1,256	\$ 31,731
2025	31,661	308	31,969
2026	-0-	-0-	-0-
2027	-0-	-0-	-0-
	\$ 62,136	\$ 1,564	\$ 63,700

The Board has entered into technology contracts with Egnyte and Newtek Technology Solutions. A summary of the contract terms and interest rates are as follows.

Subscription-Based Information Technology Obligations: The three year contract with Egnyte had a starting date of May 26, 2022. Total annual installments are approximately \$7,000. The three year contract with Newtek Technology Solutions had a starting date of August 15, 2022. Total annual installments are \$8,500. Interest rates are based on the estimated incremental borrowing rate.

Total Subscription-Based Information Technology Obligations \$21,476

Future subscription-based information technology arrangement payments are as follows:

For the Year Ended September 30, 2023	Principal	Interest	Total Payments
2024	\$ 15,264	\$ 631	\$ 15,895
2025	6,212	88	6,300
2026	-0-	-0-	-0-
2027	-0-	-0-	-0-
	\$ 21,476	\$ 719	\$ 22,195

NOTE 7: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for year ended September 30, 2023:

	Beginning Balance As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Lease Obligations	\$ 93,829	\$ -0-	(\$ 31,693)	\$ 62,136	\$ 30,475
Subscription Obligations	36,387	-0-	(14,911)	21,476	15,264
Total	\$ 130,216	\$ -0-	(\$ 46,604)	\$ 83,612	\$ 45,739

AMERICAN PECAN PROMOTION BOARD

Notes to the Basic Financial Statements

For the Year Ended September 30, 2023

NOTE 8: RELATED PARTY TRANSACTIONS

Members of the board are nominated by industry and appointed by the Secretary of the U.S. Department of Agriculture, and appointees serve without compensation. The Board reimburses board members and employees for reasonable travel expenses to and from Board meetings and other pre-approved Board-related travel. The Board paid \$6,729 in travel reimbursements for Board meetings for the year ended September 30, 2023. In addition, for the year ended September 30, 2023, revenue from board members totaled \$698,843, and as of September 30, 2023, receivables due from board members totaled \$259,841. All handlers, who remit payment on behalf of producers, and importers have 10 days after the close of each month to remit payment.

NOTE 9: CORRECTION OF AN ERROR

Management of the Board has determined that the Board is required to present financial statements in accordance with the standards of the Governmental Accounting Standards Board (GASB) rather than the standards of Financial Accounting Standards Board. Accordingly, the financial statements for the year ended September 30, 2023 have been prepared utilizing the standards of GASB. The implementation of the standards of GASB resulted in a revision to the presentation and disclosure of the financial statements. There was no change to beginning net position as a result of the correction.

NOTE 10: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 96: Subscription-Based Information Technology Arrangements - Statement 96 was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This standard becomes effective for the Board in fiscal year 2022. These changes were incorporated in the Board's 2023 financial statements and had no effect on the beginning net position of the Enterprise Fund. The Board recognized \$36,387 for the right to use asset and a SBITA liability of \$36,387.

NOTE 11: NEW PRONOUNCEMENTS

GASB issued Statement No. 100, Accounting Changes and Error Corrections. - Statement 100 was issued in June 2022 and is an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the Board's financial statements have not yet been determined.

AMERICAN PECAN PROMOTION BOARD

Budgetary Comparison Schedule - Enterprise Fund

For the Year Ended September 30, 2023

	Budget		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
Operating Revenue:				
Assessments - Domestic	\$ 6,000,000	\$ 6,000,000	\$ 5,126,135	(\$ 873,865)
Assessments - Imports	2,000,000	2,000,000	4,914,731	2,914,731
Assessment Refunds	-0-	-0-	(3,272)	(3,272)
Total Operating Revenue	\$ 8,000,000	\$ 8,000,000	\$ 10,037,594	\$ 2,037,594
Program Expenses:				
Contingency Fund	\$ 3,109,200	\$ 3,109,200	\$ -0-	\$ 3,109,200
Financial/Industry Relations	135,000	135,000	118,030	16,970
Marketing/Research	171,000	171,000	162,600	8,400
Promotion	5,564,000	5,564,000	4,637,882	926,118
Research	500,000	500,000	63,365	436,635
Software - Fishhook	90,000	90,000	7,598	82,402
Total Program Expenses	\$ 9,569,200	\$ 9,569,200	\$ 4,989,475	\$ 4,579,725
Operating Expenses:				
General Administration:				
Accounting	\$ 150,000	\$ 150,000	\$ 118,025	\$ 31,975
Audit Financial	35,000	35,000	24,985	10,015
Bad Debt Expense	-0-	-0-	2,131,841	(2,131,841)
Bank Fees	-0-	-0-	851	(851)
Board Meetings/Travel	100,000	100,000	26,993	73,007
Contract Labor	223,000	223,000	222,663	337
Headhunter	-0-	-0-	106,674	(106,674)
Industry Audits	150,000	150,000	-0-	150,000
Insurance	27,800	27,800	3,138	24,662
Legal	25,000	25,000	4,421	20,579
Maintenance/Buildout	15,000	15,000	-0-	15,000
Miscellaneous	5,000	5,000	-0-	5,000
Office Equipment	25,000	25,000	2,255	22,745
Postage/Printing	30,000	30,000	186	29,814
Rent	-0-	-0-	(4,387)	4,387
Rent Amortization	50,000	50,000	45,768	4,232
Subscriptions/Dues	20,000	20,000	(15,928)	35,928
Subscriptions Amortization	-0-	-0-	13,481	(13,481)
Supplies	10,000	10,000	-0-	10,000
Telephone/Mobile/Internet	10,000	10,000	14,455	(4,455)
Travel Compliance	45,000	45,000	-0-	45,000
Travel Office	50,000	50,000	3,768	46,232
Total General Administration	\$ 970,800	\$ 970,800	\$ 2,699,189	(\$ 1,728,389)
USDA Charges:				
USDA User Fee	\$ 100,000	\$ 100,000	\$ 78,094	\$ 21,906
Customs Maintenance Fee	560,000	560,000	-0-	560,000
Total USDA Charges	\$ 660,000	\$ 660,000	\$ 78,094	\$ 581,906
Total Operating Expenses	\$ 1,630,800	\$ 1,630,800	\$ 2,777,283	(\$ 1,146,483)
Total Program and Operating Expenses	\$ 11,200,000	\$ 11,200,000	\$ 7,766,758	\$ 3,433,242
Operating Income	(\$ 3,200,000)	(\$ 3,200,000)	\$ 2,270,836	\$ 5,470,836

See Independent Auditors' Report.

AMERICAN PECAN PROMOTION BOARD

Budgetary Comparison Schedule - Enterprise Fund

For the Year Ended September 30, 2023

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
Nonoperating Revenues and Expenses:				
Interest Expense	\$ -0-	\$ -0-	(\$ 1,269)	(\$ 1,269)
Prior Year Carry-Over	4,000,000	4,000,000	-0-	4,000,000
Reserve	(800,000)	(800,000)	-0-	(800,000)
Total Nonoperating Revenue	\$ 3,200,000	\$ 3,200,000	(\$ 1,269)	\$ 3,201,269
Change in Net Position	\$ -0-	\$ -0-	\$ 2,269,567	\$ 2,269,567

See Independent Auditors' 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 Members of
American Pecan Promotion Board
Fort Worth, Texas

We have audited, 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 (*Government Auditing Standards*), the financial statements of the American Pecan Promotion Board (the Board), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements and have issued our report thereon dated October 24, 2024.

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 Board’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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

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*.

The Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Abilene, Texas
October 24, 2024

AMERICAN PECAN PROMOTION BOARD
Schedule of Findings and Responses
For the Year Ended September 30, 2023

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No
Finding 2023-001	Improper accounting framework
<i>Type of Finding:</i>	Material Weakness

Criteria:

Management of the Board is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition:

During the fiscal year ended September 30, 2023, the Board concluded that its September 30, 2022 financial statements which were prepared on the nonprofit basis of accounting should have been prepared on the governmental basis of accounting. Accordingly, the prior year amounts were restated.

Cause:

The Board did not properly identify its financial statement framework as governmental basis in the prior period.

Effect:

The lack of identification of the appropriate basis of accounting led to prior period financial statements being issued in an incorrect framework.

Recommendation:

We recommend the Board implement procedures to verify the appropriate accounting framework is utilized.

View of Responsible Officials:

Refer to the Corrective Action Plan

AMERICAN PECAN PROMOTION BOARD
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2022

Finding 2022-001

Finding Summary: Prior year audit work disclosed that the assessment receivable balance includes an excessive amount of past due balances. Specifically, the date of 9/30/22 trial balance or approximately 40% of total receivables to be over 90 days old. This percentage has increased substantially in the following months.

Responsible Individuals: Anne Warden, Chief Executive Officer

Status: Ongoing. Management agreed with the finding. The receivables continue to be a challenge as we are still identifying handlers and are seeing consolidation. Further education is still needed for the smaller handlers. However, the Board has begun industry audits and we are 2-3 years into this process. This area will continue to be a focus for improvement.

AMERICAN PECAN PROMOTION BOARD
Corrective Action Plan
For the Year Ended September 30, 2023

Finding 2023-001

Finding Summary: Management of the Board is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement. During the fiscal year ended September 30, 2023, the Board concluded that its September 30, 2022 financial statements which were prepared on the nonprofit basis of accounting should have been prepared on the governmental basis of accounting. Accordingly, the prior year amounts were restated.

Corrective Action Plan: Management agreed with the finding. Current year financial statements have been reported under the appropriate model of accounting.

Responsible Individuals: Anne Warden, Chief Executive Officer

Anticipated Completion Date: September 2024



October 24, 2024

To the Members of
American Pecan Promotion Board
Fort Worth, Texas

We have audited the financial statements of the American Pecan Promotion Board (the Board) as of and for the year ended September 30, 2023, and have issued our report thereon dated October 24, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated January 9, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a material weakness in internal control during our audit in our 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 dated October 24, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Notes 1 and 10, the Board changed accounting policies related to the accounting of subscription agreements to adopt provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning October 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is:

Management's estimate of the allowance for doubtful accounts for accounts receivable is based on collections in prior years and delinquent amounts due outstanding currently.

We evaluated the key factors and assumptions used to develop the significant accounting estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Board's financial statements relate to prior period adjustments.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no corrected or uncorrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Board's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

As described in Note 9 to the financial statements, the Board restated opening balances as of October 1, 2022 to correct errors of the 2022 financial statements. We have included an emphasis of matter in our report regarding this restatement.

As described in Note 10 to the financial statements, due to the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, the Board restated opening balances as of October 1, 2022. We have included an emphasis of matter in our report regarding this restatement.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated October 24, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Matters Resulting in Consultation outside the Engagement Team

The following significant and relevant matters resulted in consultations outside of our engagement team:

The restatement of the previously issued financial statements noted above required a consultation by the engagement team with our National Assurance Office. Our National Assurance Office concurred with our conclusions as documented in this letter and Note 9 to the financial statements.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Board, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Board's auditors.

This report is intended solely for the information and use of the Members and management of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Abilene, Texas



Independent Auditor's Report

To the Members of
American Pecan Promotion Board
Fort Worth, Texas

We have audited, 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 (*Government Auditing Standards*), the financial statements of American Pecan Promotion Board (the Board) as of September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2024.

In connection with our audit, insofar as they relate to accounting matters, nothing came to our attention that caused us to believe that the Board:

- Used funds for influencing government policy or action
- Failed to adhere to the AMS investment policy
- Failed to maintain internal controls over funds that met auditing standards
- Failed to use funds only for projects and other expenses authorized in a budget approved by USDA
- Failed to use funds in accordance with the Guidelines for AMS Oversight of Commodity Research and Promotion Programs

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. 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, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Members and management of the Board, and is not intended to be, and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Abilene, Texas
October 24, 2024