

VIRGINIA BEEF INDUSTRY COUNCIL
Daleville, Virginia

FINANCIAL STATEMENTS

*As of and for the Years Ended September 30, 2016
and 2015*

And Report of Independent Auditor

VIRGINIA BEEF INDUSTRY COUNCIL

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Report of Independent Auditor

To the Board of Directors
Virginia Beef Industry Council
Daleville, Virginia

We have audited the accompanying financial statements of Virginia Beef Industry Council (the "Council"), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of September 30, 2016 and 2015, and the related statements of unrestricted revenues, expenses, and changes in unrestricted net assets – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Virginia Beef Industry Council as of September 30, 2016 and 2015, and its unrestricted revenues, expenses, and changes in unrestricted net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. These financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Cheryl Behaet LLP

Lynchburg, Virginia

January 13, 2017

VIRGINIA BEEF INDUSTRY COUNCIL**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS***SEPTEMBER 30, 2016 AND 2015*

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 439,201	\$ 388,864
Funds held in state treasury	<u>54,230</u>	<u>56,894</u>
Total Assets	<u>\$ 493,431</u>	<u>\$ 445,758</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to National Beef Board	\$ 30,834	\$ 26,972
Cattle assessments due to other states	<u>677</u>	<u>2,968</u>
Total Liabilities	31,511	29,940
Net Assets:		
Unrestricted	<u>461,920</u>	<u>415,818</u>
Total Liabilities and Net Assets	<u>\$ 493,431</u>	<u>\$ 445,758</u>

VIRGINIA BEEF INDUSTRY COUNCIL**STATEMENTS OF UNRESTRICTED REVENUES, EXPENSES, AND
CHANGES IN UNRESTRICTED NET ASSETS – MODIFIED CASH BASIS***YEARS ENDED SEPTEMBER 30, 2016 AND 2015*

	<u>2016</u>	<u>2015</u>
Unrestricted Revenue:		
Gross assessment revenues collected	\$ 743,765	\$ 767,396
Less assessment revenues remitted to other states	(13,774)	(45,337)
Less assessment revenues remitted to National Beef Board	(378,284)	(360,262)
Net Assessment Revenues	<u>351,707</u>	<u>361,797</u>
Interest	<u>387</u>	<u>292</u>
Total Unrestricted Revenues	<u>352,094</u>	<u>362,089</u>
Expenses:		
Project costs	<u>214,678</u>	<u>302,862</u>
Administrative:		
Administrative fees	60,113	37,403
Professional fees	8,335	8,770
Postage	125	518
Office supplies and printing	1,256	727
Federation investment	20,000	-
Telephone	1,485	679
Miscellaneous	-	139
Total Administrative Expenses	<u>91,314</u>	<u>48,236</u>
Total Expenses	<u>305,992</u>	<u>351,098</u>
Increase in unrestricted net assets	46,102	10,991
Net assets, beginning of year	<u>415,818</u>	<u>404,827</u>
Net assets, end of year	<u>\$ 461,920</u>	<u>\$ 415,818</u>

The accompanying notes to modified cash basis financial statements are an integral part of this statement.

VIRGINIA BEEF INDUSTRY COUNCIL

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 1—Summary of significant accounting policies

Organization and Nature of Activities – Virginia Beef Industry Council (the “Council”) operates within the Department of Agriculture and Consumer Services of the Commonwealth of Virginia as provided for in the Beef Promotion Enabling Act of 1979 to educate consumers, advertise, and promote beef and beef products. The Council, certified as a qualified state beef council by the Cattlemen’s Promotion and Research Board, derives authority for the collection and expenditure of the \$1.00 checkoff from the Beef Promotion and Research Act and Order. The current programs of the Board are as follows:

Beef’s Image – Beef’s Image strives to strengthen the image of the beef community and how beef is brought from pasture to plate. Program emphasis for this area will focus on proactively advocating for the beef industry and various production systems, with an emphasis of how these production systems affect the final beef product.

Beef’s Health & Nutrition – Beef’s Health & Nutrition enhances consumer knowledge of the positive health and nutritional benefits of beef. Specifically, how beef can sustain Virginia families as a nutrient dense food.

Beef’s Convenience – Beef’s Convenience fulfills consumer expectations for beef selection, preparation, versatility, and ease-of-use.

Beef’s Safety – Beef’s Safety seeks to continually improve consumer confidence in food safety of beef, and educate consumers about the practices of food safety in the home after purchase.

Basis of Accounting – The Council uses the modified cash basis of accounting in financial statement preparation. Consequently, all income is recognized when received rather than when earned, and all expenses are recognized when cash is disbursed rather than when the obligation is incurred. Financial statements prepared on this basis of accounting are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

Source of Revenues – The Council’s primary source of revenues is derived from checkoff fees assessed on cattle sold in the Commonwealth of Virginia.

Income Tax Status – The Council is a commission created within the Virginia Department of Agriculture; therefore, it is not a separate taxable entity.

Concentration of Credit Risk – The Council derives all of its income from cattle related activities and is dependent on the economy of the cattle industry in Virginia.

Subsequent Events – Subsequent events have been evaluated through January 13, 2017, which is the date the financial statements were available to be issued. No transactions requiring disclosure occurred through this date.

VIRGINIA BEEF INDUSTRY COUNCIL
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 2—Cash and cash equivalents

Cash and cash equivalents at September 30 consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents in bank	\$ 439,176	\$ 388,839
Petty cash	25	25
Cash and Cash Equivalents	<u>\$ 439,201</u>	<u>\$ 388,864</u>

At September 30, 2016 and 2015, the carrying value of the Council's deposits with banks in cash and cash equivalents was \$439,176 and \$388,839, respectively. The Council places its cash on deposit with financial institutions in the United States. The Federal Deposit Insurance Company ("FDIC") covers \$250,000 for substantially all depository accounts. During the year, the Council from time to time may have had amounts on deposit in excess of the federally insured limits. The Council has not experienced significant losses in such accounts and does not believe it is exposed to any significant risk.

Note 3—Funds held in state treasury

At September 30, 2016 and 2015, the Commonwealth of Virginia held checkoff funds allocable to the Council of \$22,719 and \$26,956, respectively.

Note 4—Project costs

Project costs for the year ended September 30, 2016, consisted of the following:

Beef's Image	\$ 61,244
Beef's Health and Nutrition	53,157
Beef's Convenience	52,270
Beef's Safety	48,007
Total Project Costs	<u>\$ 214,678</u>

Project costs for the year ended September 30, 2015, consisted of the following:

Consumer Information	\$ 94,153
Promotion	87,601
Industry Service	121,108
Total Project Costs	<u>\$ 302,862</u>

VIRGINIA BEEF INDUSTRY COUNCIL
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 5—Administrative fees and reimbursements – 2016

Included in with administrative fees for the year ended September 30, 2016, was \$60,113 paid to the Virginia Cattlemen’s Association (“VCA”) under contract for their services in administering, developing, and conducting a program of marketing, education, promotion, and production for the Virginia cattle industry.

In addition to this contract, VCA was reimbursed for several expenditures made on the Council’s behalf, as follows:

	2016 Project Classification			
	Beef’s Image	Beef’s Health & Nutrition	Beef’s Convenience	Beef’s Safety
Compensation package:				
Director of Consumer Information	\$ 9,976	\$ 9,976	\$ 9,976	\$ 9,976
Director of Nutrition & Channel Marketing	5,222	5,222	5,222	5,222
Publishing costs for monthly article, semi-annual reports, and advertising in newspaper	6,480	-	-	-
	<u>\$ 21,678</u>	<u>\$ 15,198</u>	<u>\$ 15,198</u>	<u>\$ 15,198</u>

Reimbursements for compensation packages listed above include \$2,458 for retirement plan contributions.

In addition, VCA was also reimbursed \$125 for postage in 2016.

Note 6—Administrative fees and reimbursements – 2015

Included in with administrative fees for the year ended September 30, 2015, was \$37,403 paid to the VCA under contract for their services in administering, developing, and conducting a program of marketing, education, promotion, and production for the Virginia cattle industry.

In addition to this contract, VCA was reimbursed for several expenditures made on the Council’s behalf, as follows:

	2015 Project Classification		
	Consumer Information	Promotion	Industry Service
Compensation package			
Director of Consumer Information	\$ 42,978	\$ -	\$ -
Director of Promotion	-	33,432	-
Director of Programs	-	-	42,979
Publishing costs for monthly article, semi-annual reports, and advertising in newspaper	-	-	9,302
	<u>\$ 42,978</u>	<u>\$ 33,432</u>	<u>\$ 52,281</u>

VIRGINIA BEEF INDUSTRY COUNCIL
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 6—Administrative fees and reimbursements – 2015 (continued)

Reimbursements for compensation packages listed above include \$5,844 for retirement plan contributions.

In addition, VCA was also reimbursed \$518 for postage in 2015.

Note 7—Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of unrestricted revenues, expenses, and changes in unrestricted net assets – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.