



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021 AND 2020

MUSHROOM COUNCIL

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DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Council Members and Management
Mushroom Council
Lee's Summit, Missouri

Opinion

We have audited the accompanying financial statements of Mushroom Council, an instrumentality of the United States Department of Agriculture, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows 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 Mushroom Council as of December 31, 2021 and 2020, 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 audits 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 (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 Mushroom Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Mushroom Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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, 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 Mushroom Council'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 Mushroom Council'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 Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the accompanying supplementary schedules on pages 20-24, which is the responsibility of management, is presented for purposes of additional analysis as required by U.S. Department of Agriculture, Agricultural Marketing Service, and is not a required part of the financial statements. Such information, except for the budget information marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022, on our consideration of Mushroom Council'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 Mushroom Council's (Officers of the Council) 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 Mushroom Council's (Officers of the Council) internal control over financial reporting and compliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022, on our consideration of the Mushroom Council's (Officers of the Council) compliance with requirements that could have a direct and material effect over compliance in accordance with *The Mushroom Promotion, Research, and Consumer Information Act of 1990*. The purpose of that report is to describe compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with *The Mushroom Promotion, Research, and Consumer Information Act of 1990* in considering the Mushroom Council's (Officers of the Council) compliance.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
April 18, 2022

Certified Public Accountants

MUSHROOM COUNCIL

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash	\$ 1,612,217	\$ 1,810,228
Assessments Receivable, Net	<u>475,548</u>	<u>472,617</u>
Total Current Assets	2,087,765	2,282,845
Property and Equipment, Net	<u>1,629</u>	<u>-</u>
Total Assets	<u>\$ 2,089,394</u>	<u>\$ 2,282,845</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 603,207	\$ 717,045
Accrued Wages and Payroll Taxes	<u>42,788</u>	<u>31,586</u>
Total Current Liabilities	<u>645,995</u>	<u>748,631</u>
Net Assets		
With Restrictions	400,000	400,000
Without Restrictions	<u>1,043,399</u>	<u>1,134,214</u>
Total Net Assets	<u>1,443,399</u>	<u>1,534,214</u>
Total Liabilities and Net Assets	<u>\$ 2,089,394</u>	<u>\$ 2,282,845</u>

See accompanying Notes to Financial Statements.

MUSHROOM COUNCIL

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Assessments		
Domestic	\$ 3,980,861	\$ 3,841,847
Imports	1,082,303	996,379
Interest and Other Income	<u>17,824</u>	<u>20,648</u>
Total Revenue	<u>5,080,988</u>	4,858,874
Expenses		
Research and Information Expenses	4,841,999	3,735,434
Administrative Expenses	192,320	286,449
Government and Professional Services - Including Compliance Inspections	<u>137,484</u>	<u>123,086</u>
Total Expenses	<u>5,171,803</u>	<u>4,144,969</u>
Change in Net Assets	(90,815)	713,905
Net Assets, Beginning of Year	<u>1,534,214</u>	<u>820,309</u>
Net Assets, End of Year	<u><u>\$ 1,443,399</u></u>	<u><u>\$ 1,534,214</u></u>

See accompanying Notes to Financial Statements.

MUSHROOM COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Research and Information	Total Program Services	Administrative	Government and Professional Services	Total
Consumer Public Relations	\$ 2,264,975	\$ 2,264,975	\$ -	\$ -	\$ 2,264,975
Nutrition Research	732,787	732,787	-	-	732,787
Foodservice - Promotion	656,674	656,674	-	-	656,674
Retail Promotion and Research	232,201	232,201	-	-	232,201
Nutrition Promotion	217,498	217,498	-	-	217,498
Industry Information	214,700	214,700	-	-	214,700
Promo Related Staff Salaries	151,806	151,806	-	-	151,806
Foodservice - Schools	147,933	147,933	-	-	147,933
Salaries, Taxes, and Benefits	-	-	147,857	-	147,857
USDA Fees	-	-	-	100,549	100,549
Foodsafety/Production	100,000	100,000	-	-	100,000
Econometric/Marketing Research	59,799	59,799	-	-	59,799
Agency Planning and Evaluation	43,497	43,497	-	-	43,497
Professional Services	-	-	-	36,935	36,935
Bad Debt Expense	-	-	7,771	-	7,771
Rent or Lease	-	-	17,627	-	17,627
Promo Related Staff Expenses	14,103	14,103	-	-	14,103
Insurance	-	-	8,782	-	8,782
Memberships	6,026	6,026	-	-	6,026
Office Expenses	-	-	5,412	-	5,412
Travel and Meetings	-	-	4,800	-	4,800
Depreciation and Amortization	-	-	71	-	71
Total Functional Expenses	\$ 4,841,999	\$ 4,841,999	\$ 192,320	\$ 137,484	\$ 5,171,803

See accompanying Notes to Financial Statements.

MUSHROOM COUNCIL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Research and Information	Total Program Services	Administrative	Government and Professional Services	Total
Consumer Public Relations	\$ 1,389,995	\$ 1,389,995	\$ -	\$ -	\$ 1,389,995
Foodservice - Promotion	640,745	640,745	-	-	640,745
Nutrition Research	463,966	463,966	-	-	463,966
Retail Promotion and Research	338,581	338,581	-	-	338,581
Nutrition Promotion	216,982	216,982	-	-	216,982
Industry Information	202,314	202,314	-	-	202,314
Promo Related Staff Salaries	153,217	153,217	-	-	153,217
Salaries, Taxes, and Benefits	-	-	150,676	-	150,676
Foodservice - Schools	147,975	147,975	-	-	147,975
Foodsafety/Production	100,000	100,000	-	-	100,000
USDA Fees	-	-	-	94,416	94,416
Bad Debt Expense	-	-	54,154	-	54,154
Agency Planning and Evaluation	43,431	43,431	-	-	43,431
Rent or Lease	-	-	39,867	-	39,867
Professional Services	-	-	-	28,670	28,670
Travel and Meetings	-	-	28,022	-	28,022
Econometric/Marketing Research	24,636	24,636	-	-	24,636
Promo Related Staff Expenses	8,757	8,757	-	-	8,757
Office Expenses	-	-	8,276	-	8,276
Memberships	4,835	4,835	-	-	4,835
Insurance	-	-	3,086	-	3,086
Depreciation and Amortization	-	-	2,363	-	2,363
Miscellaneous	-	-	5	-	5
Total Functional Expenses	\$ 3,735,434	\$ 3,735,434	\$ 286,449	\$ 123,086	\$ 4,144,969

See accompanying Notes to Financial Statements.

MUSHROOM COUNCIL

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ (90,815)	\$ 713,905
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	71	2,363
Purchase of Equipment	(1,700)	-
<u>(Increase) Decrease in Assets</u>		
Assessments Receivable, Net	(2,931)	17,119
Prepaid Expenses	-	1,500
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	(113,838)	279,421
Accrued Wages and Payroll Taxes	11,202	(13,061)
Net Cash (Used in) Provided by Operating Activities	(198,011)	1,001,247
Net (Decrease) Increase in Cash	(198,011)	1,001,247
Cash at Beginning of Year	1,810,228	808,981
Cash at End of Year	\$ 1,612,217	\$ 1,810,228

See accompanying Notes to Financial Statements.

MUSHROOM COUNCIL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. ORGANIZATION

Mushroom Council is authorized by *The Mushroom Promotion, Research, and Consumer Information Act of 1990* (P.L. 101-624) and complies to the guidance under The Mushroom Promotion, Research, and Consumer Information Order (the Order). Mushroom Council is considered an instrumentality of the U.S. Department of Agriculture (USDA).

Mushroom Council commenced activity in August of 1993. Mushroom Council is governed by a Council appointed by the Secretary of Agriculture. Mushroom Council consists of nine members. Mushroom Council was formed for the purpose of mushroom promotion research, and to provide consumer and industry information. Mushroom Council is financed by assessments collected from producers and importers and funded by assessments of \$0.0055 cents per pound on any person who produces and imports over 500,000 pounds on average for the mushroom fresh market annually. Under the Mushroom Promotion, Research, and Consumer Information Order, handlers collect and remit producer assessments to the Council and assessments paid by importers are collected and remitted by the U.S. Customs and Border Protection.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

As an instrumentality of a U.S. Federal Government Department, Mushroom Council is subject to Statements of Federal Financial Accounting Concepts and Standards and other pronouncements of the Federal Accounting Standards Advisory Board (FASAB). *Statement of Federal Financial Accounting Standards 34: The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board* (SFFAS 34) provides that bodies with oversight authority, such as Agricultural Marketing Services (AMS), may determine that the needs of a reporting entity's primary users would be best met through the application of FASB (Financial Accounting Standards Board) standards. AMS has determined that the needs of the primary users of Mushroom Council's financial statements would best be met through the application of FASB standards. Accordingly, Mushroom Council presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities - Presentation of Financial Statements* (FASB ASC 958-205).

Under FASB ASC 958-205, Mushroom Council presents the statements of financial position, activities, functional expenses, and cash flows. In addition, Mushroom Council reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. As of December 31, 2021, there were no net assets with donor restrictions.

Basis of Accounting

Mushroom Council uses the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

MUSHROOM COUNCIL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

In accordance with its mission, Mushroom Council has approved the development of direct and non-direct response advertising and promotional activities. All costs related to these activities are charged to expenses as incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Budgets and the Budgetary Process

Mushroom Council adopts an annual operating budget, which can be amended by Mushroom Council, with USDA approval, throughout the year. Formal budgetary accounting is employed as a management control for all funds of Mushroom Council. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenses recognized on the basis of generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Mushroom Council's cash deposits are covered by federal depository insurance or covered by collateral held by Mushroom Council's agent in Mushroom Council's name. There are no cash equivalents as of December 31, 2021.

Assessments Receivable

All accounts are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible and reserved. Mushroom Council takes into consideration the age of past due accounts and the ability of the customer to pay when determining those accounts to reserve. Collections on accounts previously written off are included in income when received. Assessments receivables are charged off based on management's case-by-case determination of uncollectible amounts, subject to USDA approval.

Property and Equipment

Property and equipment includes furniture and electronic equipment accounted for at cost and are depreciated over a 5- to 10-year period (depending on the class of fixed asset) on a straight-line basis. Mushroom Council capitalizes expenses for property and equipment over \$100. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the statements of activities.

MUSHROOM COUNCIL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

In addition to the furniture and electronic equipment noted above, Mushroom Council also has trademarks that it owns that are not recorded as assets. These include:

- *Blended Burger Project - Reg. No. 5,346,868 - 11/28/2017*
- *Blenditarian - Reg No. 5,346,797 - 11/28/2017*
- *Mushroom Council - Reg. No. 5,592,120 - 10/23/2018*
- *The Blend - Reg. No. 6,049,540 - 5/5/2020*

Net Assets

The classification of net assets are described below:

Net Assets with Restrictions - describes the portion of net assets that have constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. These principally would include restrictions for capital projects, or other special purposes.

Net Assets Without Restrictions - describes the portion of net assets that is not restricted for any project or other purpose.

Revenue Recognition

Assessment revenue, or exchange revenue, is reported as the amount of revenue earned that is commensurate with the value of the transfer of promised goods or services at the time of transfer.

Income Taxes

Based on Mushroom Council's status as an instrumentality of USDA, Mushroom Council is exempt from income taxes.

Reclassification

Certain 2020 amounts have been reclassified for comparative purposes.

3. ADOPTION OF ACCOUNTING STANDARDS AND NEW ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements for Year 2021

For the year ended December 31, 2021, Mushroom Council adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the updates have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net assets classes used in financial statements to net assets with or without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

MUSHROOM COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

3. ADOPTION OF ACCOUNTING STANDARDS AND NEW ACCOUNTING PRONOUNCEMENTS
(CONTINUED)

Adoption of New Accounting Pronouncements for Year 2021 (Continued)

For the year ended December 31, 2021, Mushroom Council adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and was adopted on a modified retrospective basis in 2021. Adoption of this pronouncement had no significant impact on Mushroom Council's financial statements.

For the year ended December 31, 2021, Mushroom Council adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. This change in accounting principle was adopted on a modified prospective basis in 2021. Adoption of this pronouncement had no significant impact on Mushroom Council's financial statements.

New Accounting Pronouncements for Year 2022

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in (Topic 840), *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Earlier application is permitted. Management of Mushroom Council has not evaluated the impact of this ASU on its financial statements.

4. LIQUIDITY AND AVAILABLE RESOURCES

As of December 31, 2021 and 2020, the following financial assets and liquidity sources were available for general operating expenses, respectively:

	<u>2021</u>	<u>2020</u>
<i>Financial Assets</i>		
Cash	\$ 1,612,217	\$ 1,810,228
Assessments Receivable, Net	<u>475,548</u>	<u>472,617</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Available within One Year	<u>\$ 2,087,765</u>	<u>\$ 2,282,845</u>

MUSHROOM COUNCIL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

5. RISKS AND UNCERTAINTIES

Credit Risk

Cash deposits as of the balance sheet date are insured in the amount of \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Balances in excess of FDIC limits are collateralized with obligations issued and insured by the United States Government and held by Bank of America under the supervision of the Agricultural Marketing Service. Collateral held by Bank of America on behalf of Mushroom Council totals \$2,000,000 as of the statements of financial position date.

Concentrations

For the year ended December 31, 2021, one customer made up 20% of total assessments receivable and 21% of total assessments revenue, two vendors made up 61% of total expenses, and one vendor made up 60% of accounts payable.

For the year ended December 31, 2020, one customer made up 16% of total assessments receivable and 21% of total assessments revenue, two vendors made up 57% of total expenses, and two vendors made up 86% of accounts payable.

COVID-19 Pandemic

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofit organizations around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility which may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

6. INVESTMENTS

Mushroom Council is required to follow the Agricultural Marketing Service investment policy. Accordingly, Mushroom Council is authorized to invest in securities consisting of obligations issued or fully insured or guaranteed by the United States or any U.S. government agency, including obligations of government-sponsored corporations, and must mature within one year or less from the date of purchase. Investments are carried at cost, which approximates fair value. There are no investments other than cash deposits with Bank of America.

7. ASSESSMENTS RECEIVABLE

As of December 31, 2021, receivables consisted of assessments from December's and prior month's sales of fresh mushrooms by handlers, plus assessments and non-compliance penalties and interest.

Generally Accepted Accounting Principles require all revenues be reported net of discounts and allowances. However, uncollectible amounts related to revenues already reported in previous years should be reported as an expense.

MUSHROOM COUNCIL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

7. ASSESSMENTS RECEIVABLE (CONTINUED)

As of December 31, 2021 and 2020, allowance for doubtful accounts totaled \$51,339 and \$74,457, respectively. As of December 31, 2021 and 2020, bad debt expense totaled \$7,771 and \$54,154, respectively.

For the year ended December 31, 2021, the Office of General Counsel granted relief of penalties and interest in the amount of \$7,665 to three handlers in Regions 1, 2, and 3.

8. REFUNDS

For the year ended December 31, 2021, refunds amounted to \$165. For the year ended December 31, 2020, there were no refunds.

9. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020, consisted of the following:

	2020	Additions	Retirements	2021
Computer Equipment	\$ 13,579	\$ 1,700	\$ (5,426)	\$ 9,853
Furniture and Miscellaneous	5,204	-	-	5,204
	18,783	1,700	(5,426)	15,057
Less Accumulated Depreciation	(18,783)	(71)	5,426	(13,428)
	<u>\$ -</u>	<u>\$ 1,629</u>	<u>\$ -</u>	<u>\$ 1,629</u>

Depreciation expense amounted to approximately \$71 and \$2,363 in 2021 and 2020, respectively.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

Mushroom Council is obligated to treat certain lease agreements as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in Mushroom Council's account groups.

During 2020, Mushroom Council leased office space in California, Pennsylvania, and Missouri. The California lease was transferred to Missouri and the Pennsylvania lease terminated. The existing Missouri lease was extended to November 30, 2022. Future minimum rental payments for the office lease is \$17,160.

For the years ended December 31, 2021 and 2020, Mushroom Council paid \$17,627 and \$39,867 for rents related to office leases and offsite storage, respectively.

Contract Commitments

There are no contract commitments as of December 31, 2021. Contract commitments are payable from existing fund resources and are related to unperformed contracts for goods or services as of the end of the year.

MUSHROOM COUNCIL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

11. GOVERNMENT AND PROFESSIONAL EXPENSES

	2021	2020
Agricultural Marketing Service (AMS) User Fees		
Billed through 12/31	\$ 100,549	\$ 94,416
Audit and Accounting Services Provided	32,826	27,146
Legal and Consulting Services Provided	4,109	1,524
	\$ 137,484	\$ 123,086

12. COMPENSATED ABSENCES

Employees of Mushroom Council are entitled to paid vacation; full-time and part-time employees depending on length of service. Employees are expected to take their earned vacation in the calendar year in which it is accrued. In the event earned vacation is not taken in the year accrued, employees can carry over the unused balance and continue to accrue vacation, subject to a maximum accrual of one and three quarters (1.75) of their applicable annual accrual rate. The liability for compensated absences is determined annually. Amounts expected to be paid out of current financial resources are recorded as current fund liabilities.

Full-time employees accrue sick leave at the rate of one day per month. Sick leave may be accrued up to a maximum of sixty days. Unused or accrued sick leave is not paid to employees upon the termination of employment. Accumulated sick leave benefits are not recognized as liabilities of Mushroom Council. Mushroom Council’s policy is to record sick leave as an operating expense in the period sick leave is used by the employee. Compensation for illness is only paid as illness occurs.

13. FUNCTIONAL ALLOCATION OF EXPENSES

It is Mushroom Council’s policy to allocate employee compensation, employer payroll taxes, workman’s compensation, and employee benefits amongst the Research Information and Program Elements (RIPE) expense categories. Accordingly, these compensation elements are divided equally into the following RIPE general ledger accounts:

Employee Compensation	Employer Payroll Taxes	WC Insurance & Benefits
• Industry Information	• Payroll Tax Expense Account	• WC Expense Account
• Promotion Related Staff Salaries	• Industry Information	• Industry Information
• Administration	• Promotion Related Staff Salaries	• Promotion Related Staff Salaries

Mushroom Council summarizes the costs of providing and managing its programs and supporting activities on a functional basis in the accompanying statements of activities. Accordingly, expenses are allocated among the benefiting program and supporting services based on specific identification or reasonable allocation methodologies, which are consistently applied using the compensation allocation policy above.

Program services, as presented in the statements of functional expenses, include the expenses directly related to research and information.

MUSHROOM COUNCIL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

13. FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)

Supporting services include expenses indirectly related to the various projects and are of an administrative and development nature.

14. RETIREMENT PLAN

A defined contribution safe harbor 401k plan was established September 2017. The name of the plan is MC Safe Harbor 401(k) Plan (the Plan). The Plan is administered by a third-party administrator. Immediate participation for eligible employees was permitted when the Plan was established. Employees must complete three months of service to become eligible to participate in the Plan and receive matching employer contributions. Mushroom Council will make matching contributions for all participating employees in an amount equal to 100% of their contributions that are not in excess of 4% of each employee's compensation. As of December 31, 2021 and 2020, employer matching contributions totaled \$5,233 and \$5,247, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and on the matching contributions by Mushroom Council.

15. SUBSEQUENT EVENTS

Mushroom Council has evaluated subsequent events through April 18, 2022, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MUSHROOM COUNCIL

**STATEMENT OF ACTIVITIES - ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Original Budget (Unaudited) 2021	Final Budget (Unaudited) 2021	Actual Expended 2021	Commitments		Variance Favorable (Unfavorable) 2021	Actual Expended 2020
				Unexpended 2020	Paid in 2021 for 2020		
Revenues							
Assessments							
Domestic	\$ 3,793,763	\$ 4,013,473	\$ 3,980,861	\$ -	\$ -	\$ (32,612)	\$ 3,841,847
Imports	1,036,908	1,056,162	1,082,303	-	-	26,141	996,379
Interest	375	375	267	-	-	(108)	387
Other Income and Expense	(50,000)	(50,000)	17,722	-	-	67,722	20,261
Refunds	(600)	(600)	(165)	-	-	435	-
Total Revenue	4,780,446	5,019,410	5,080,988	-	-	61,578	4,858,874
Expenses							
Administrative Costs	226,900	205,400	192,320	-	-	(13,080)	286,449
Government and Professional Services - Including Compliance Audits	175,200	180,200	137,484	-	-	(42,716)	123,086
Research and Information	4,924,022	4,974,022	4,841,999	-	-	(132,023)	3,735,434
Total Expenses	5,326,122	5,359,622	5,171,803	-	-	(187,819)	4,144,969
Excess of Revenues over (under) Expenses	(545,676)	(340,212)	(90,815)	-	-	249,397	713,905
Total Net Assets, December 31, 2020	1,296,228	1,534,214	1,534,214	-	-	-	820,309
Total Net Assets, December 31, 2021	\$ 750,552	\$ 1,194,002	\$ 1,443,399	\$ -	\$ -	\$ 249,397	\$ 1,534,214

MUSHROOM COUNCIL

**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Final	Actual	Commitments		Variance	Actual
	Budget		Unexpended	Paid in 2021	Favorable	
	(Unaudited)			for	(Unfavorable)	
	2021	2021	2020	2020	2021	2020
<u>Administrative Expenses</u>						
Office Expenses						
Computer System	\$ 1,000	\$ 881	\$ -	\$ -	\$ (119)	\$ 679
Office Equipment/Supplies	2,000	234	-	-	(1,766)	1,896
Rent	30,000	17,627	-	-	(12,373)	39,867
Telephone/Internet	2,000	1,550	-	-	(450)	1,732
Printing	1,000	832	-	-	(168)	-
Postage/Shipping	2,500	1,875	-	-	(625)	2,475
Miscellaneous	1,500	40	-	-	(1,460)	1,494
Total Office Expenses	40,000	23,039	-	-	(16,961)	48,143
Other Operating Expenses						
Insurance and Bonds	9,000	8,782	-	-	(218)	3,086
Auto Allowance	5,400	4,800	-	-	(600)	4,800
Meeting Expense	-	-	-	-	-	7,801
Council Members Travel	-	-	-	-	-	5,999
Staff Travel	-	-	-	-	-	9,422
Bad Debt	-	7,771	-	-	7,771	54,154
Depreciation Expense	-	71	-	-	71	2,363
Miscellaneous Expense	-	-	-	-	-	5
Total Other Operating Expenses	14,400	21,424	-	-	7,024	87,630
Payroll Expenses						
Administrative Expenses	123,000	122,074	-	-	(926)	122,025
Workers Compensation Insurance	1,000	358	-	-	(642)	992
Employer FICA	6,000	5,490	-	-	(510)	5,479
Payroll Expense	850	782	-	-	(68)	1,032
Health Insurance	12,000	11,912	-	-	(88)	13,870
Employer Medicare	2,550	2,008	-	-	(542)	2,031
Deferred Compensation	5,600	5,233	-	-	(367)	5,247
Total Payroll Expenses	151,000	147,857	-	-	(3,143)	150,676
Total Administrative Expenses	\$ 205,400	\$ 192,320	\$ -	\$ -	\$ (13,080)	\$ 286,449

MUSHROOM COUNCIL

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES - ACTUAL COMPARED TO BUDGET (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Final Budget (Unaudited) 2021	Actual Expenses 2021	Commitments		Variance Favorable (Unfavorable) 2021	Actual Expended 2020
			Unexpended 2020	Paid in 2021 for 2020		
<u>Professional and Governmental Expenses</u>						
Governmental Expenses						
AMS User Fees	\$ 90,000	\$ 100,549	\$ -	\$ -	\$ 10,549	\$ 94,416
General Counsel	2,000	-	-	-	(2,000)	-
Total Governmental Expenses	<u>92,000</u>	<u>100,549</u>	<u>-</u>	<u>-</u>	<u>8,549</u>	<u>94,416</u>
Professional Services Expenses						
Audit	22,000	22,000	-	-	-	22,000
Accounting	9,200	10,826	-	-	1,626	5,146
Legal	5,000	2,585	-	-	(2,415)	254
Miscellaneous	2,000	1,524	-	-	(476)	1,270
Compliance Inspections	50,000	-	-	-	(50,000)	-
Total Professional Services Expenses	<u>88,200</u>	<u>36,935</u>	<u>-</u>	<u>-</u>	<u>(51,265)</u>	<u>28,670</u>
Total Professional and Governmental Expenses	<u>\$ 180,200</u>	<u>\$ 137,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,716)</u>	<u>\$ 123,086</u>

MUSHROOM COUNCIL

**SCHEDULE OF PROGRAM EXPENSES - ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Final Budget (Unaudited) 2021	Actual Expenses 2021	Commitments		Variance Favorable (Unfavorable) 2021	Actual Expended 2020
			Unexpended	Paid in 2021 for		
Research and Information Expenses						
Econometric/Marketing Research	\$ 74,800	\$ 59,799	\$ -	\$ -	\$ (15,001)	\$ 24,636
Retail Promotion and Research	240,967	232,201	-	-	(8,766)	338,581
Food Service - Schools	148,000	147,933	-	-	(67)	147,975
Food Service - Promotion and Research	658,500	656,674	-	-	(1,826)	640,745
Strategic Counseling/Agency Planning	44,075	43,497	-	-	(578)	43,431
Industry Information	218,961	214,700	-	-	(4,261)	202,314
Consumer Public Relations	2,265,000	2,264,975	-	-	(25)	1,389,995
Nutrition Research	808,219	732,787	-	-	(75,432)	463,966
Nutrition Promotion	220,000	217,498	-	-	(2,502)	216,982
Food Safety/Production Services	100,000	100,000	-	-	-	100,000
Promotion Related Staff Salaries	154,000	151,806	-	-	(2,194)	153,217
Crisis Management	10,000	-	-	-	(10,000)	-
Memberships	6,500	6,026	-	-	(474)	4,835
Promotion Related Staff Expenses	25,000	14,103	-	-	(10,897)	8,757
Total Research and Information Expenses	\$ 4,974,022	\$ 4,841,999	\$ -	\$ -	\$ (132,023)	\$ 3,735,434

MUSHROOM COUNCIL

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Receipts		
Assessments	\$ 5,060,233	\$ 4,855,345
Interest and Other Income	<u>17,824</u>	<u>20,648</u>
Total Receipts	5,078,057	4,875,993
Disbursements		
Program Expenses	4,957,466	3,452,150
General and Administrative	181,118	299,510
Government and Professional Services	<u>137,484</u>	<u>123,086</u>
Total Disbursements	<u>5,276,068</u>	<u>3,874,746</u>
Excess of Receipts over Disbursements	(198,011)	1,001,247
Cash at Beginning of Year	<u>1,810,228</u>	<u>808,981</u>
Cash at End of Year	<u><u>\$ 1,612,217</u></u>	<u><u>\$ 1,810,228</u></u>

Independent Auditors' 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*

Council Members and Management
Mushroom Council
Lee's Summit, Missouri

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, the financial statements of Mushroom Council, which collectively comprise Mushroom Council's basic financial statements as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Mushroom Council'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mushroom Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Mushroom Council'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Mushroom Council'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mushroom Council'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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mushroom Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mushroom Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
April 18, 2022

Certified Public Accountants

**Report on Compliance with Requirements that could have a Direct and
Material Effect over Compliance
In Accordance with *The Mushroom Promotion, Research,
and Consumer Information Act of 1990*
Independent Auditor's Report**

Council Members and Management
Mushroom Council
Lee's Summit, Missouri

Opinion

We have audited the financial statements of Mushroom Council, an instrumentality of the United States Department of Agriculture, as of and for the years ended December 31, 2021 and 2020, and issued our report dated April 18, 2022. In connection with our audit, we performed procedures to provide the United States Department of Agriculture, Agricultural Marketing Service (USDA/AMS) reasonable assurance that the Mushroom Council (Officers of the Council) complied with the compliance requirements referred to below. Our responsibility is to express and opinion on the Mushroom Council's (Officers of the Council) compliance with the compliance requirements of *The Mushroom Promotion, Research, and Consumer Information Act of 1990* as of and for the years ended December 31, 2021 and 2020.

In our opinion, the Mushroom Council (Officers of the Council) complied, in all material respects, with the types of compliance requirements referred to herein that could have a direct and material effect on each over compliance requirements of *The Mushroom Promotion, Research, and Consumer Information Act of 1990* as of and for the years ended December 31, 2021 and 2020.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements of laws, regulations, and contracts, applicable to *The Mushroom Promotion, Research, and Consumer Information Act of 1990*.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Mushroom Council's (Officers of the Council) compliance of requirements of *The Mushroom Promotion, Research, and Consumer Information Act of 1990* based on our audits of the types of compliance requirements referred to above. 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, *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 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 Mushroom Council's (Officers of the Council) compliance with the requirements of *The Mushroom Promotion, Research, and Consumer Information Act of 1990* as a whole.

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

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 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 Mushroom Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mushroom Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with requirements of *The Mushroom Promotion, Research, and Consumer Information Act of 1990*, but not for the purpose of expressing an opinion on the effectiveness of Mushroom Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audits.

Compliance

We believe that our audits provide a reasonable basis for our opinion on compliance. However, our audits do not provide a legal determination of Mushroom Council's compliance with those requirements. In our opinion, Mushroom Council complied in all material respects with the compliance requirements referred to below that are applicable for the years ended December 31, 2021 and 2020.

- 1) Complied with the Code of Federal Regulations (7 CFR Part 1209) - The Mushroom Promotion, Research, and Consumer Information Order (the Order), issued by USDA;
- 2) Whether funds were used in accordance with USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs, issued January 2020;
- 3) Complied with the Section 1925, Subsection (h) of *The Mushroom Promotion, Research, and Consumer Information Act of 1990 (Act)* and Section 1209.53 of the Order, relating to the use of assessment funds for the purpose of influencing governmental policy and action;
- 4) Whether internal controls over funds met auditing standards;
- 5) Whether funds were expensed for projects and other expenses authorized in a budget and marketing plan approved by the Council and USDA;
- 6) Complied with the by-laws of the Council or any other policy of the Council, specifically as they relate to financial matters, including Council and employee reimbursements, lease commitments, and employee benefits;
- 7) Obtained a written contract or agreement with any entity or person providing goods and services to the Council; and
- 8) Complied with the AMS investment policy pertaining to the limitations on the types of investments the Council may purchase and the insurance and collateral that must be obtained for all deposits and investments.

Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with compliance requirements of *The Mushroom Promotion, Research, and Consumer Information Act of 1990*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audits we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audits were not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *The Mushroom Promotion, Research, and Consumer Information Act of 1990*. Accordingly, this report is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
April 18, 2022

Certified Public Accountants