AUDIT WRAP UP

December 31, 2019

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the entity and is not intended and should not be used by anyone other than these specified parties.

May 12, 2020

Executive Committee
National Mango Board

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On February 10, 2020, we presented an overview of our plan for the audit of the financial statements of National Mango Board (the Organization) as of and for the year ended December 31, 2019, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Organization's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Organization and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA LLP

Discussion Outline

Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended December 31, 2019. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- We expect to issue an unmodified opinion on the financial statements.
- As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Board's compliance with those requirements. We did not report any findings in our report on compliance.
- All records and information requested by BDO were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Organization's personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES AND SIGNIFICANT UNUSUAL TRANSACTIONS

The following summarizes the more significant required communications related to our audit concerning the Organization's accounting practices, policies, estimates and significant unusual transactions:

The Organization's significant accounting practices and policies are those included in Note 2 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 2 to the financial statements.

- A summary of recently issued accounting pronouncements is included in Note 2 to the Organization's financial statements.
- The Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts (Topic 606) with Customers* and ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this standard resulted in assessment revenue of $484,766 related to December 2019 assessments received in January 2020 being excluded from the financial statements as the funds were received subsequent to year end. The impact of the adoption of these standards is discussed in detail in Note 2 to the financial statements.
- There were no other changes in significant accounting policies and practices during 2019.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Organization's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the financial statements and are as follows.

Significant accounting estimates include:
Allocation of expenses (Program - 90%, G&A – 10%)

- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2019.

The methods used to account for significant transactions, and related disclosures, are considered appropriate. These transactions include the following:

Assessment Revenue and Assessment Refund Liability

- We tested assessments revenue through our review of collection and assessment reports and bank statements and determined that revenue was properly recognized in accordance with the new accounting standards discussed above.
- Importers and first handlers of less than 500,000 pounds of fresh mangoes and less than 200,000 pounds of frozen mangos during any calendar year and those that produce organic mangoes may claim an exemption from annual assessments. An exemption application must be provided to the Board in order for these importers and first handlers to receive a refund of the assessments previously charged. At December 31, 2019, the liability was $135,576, which represents all refund applications submitted for 2019 assessments before the expiration date for such refunds of February 28, 2020. Refunds are netted against assessment revenue in the year in which they relate. We examined a sample of refunds per the USDA database and vouched to payment made to the importer or first handler.

Results of Our Audit

Vendor Contracts

- Based on the stipulations of the US Department of Agriculture ("USDA"), the Board is required to enter into signed contracts with vendors in which goods or services are to be provided in excess of $5,000. These contracts must also be submitted to the USDA for approval. We examined a sample of vendor contracts entered into during the year ended December 31, 2019, over $5,000 and examined the contract for proper approval by the USDA. We found that all contracts were properly approved.
- In addition to the procedure above, for a sample of the contracts tested above, we also tested that the expenses incurred during 2019 in relation to those contracts did not exceed the maximum amount as stipulated in the contract. Based upon our testing, we did not note any expenses which exceeded stated maximum amounts.

Budget to Actual Comparisons

- The Board's budget is prepared on an accrual basis of accounting and is approved by the USDA. Our review of variances between budget and actual results did not identify anything unusual.

Compliance with USDA/AMS Regulations & Guidelines

- The Board is required to adhere to certain regulations as imposed by the Commodity Promotion, Research and Information Act of 1996 and Guidelines for Agricultural Marketing Service ("AMS") Oversight of Commodity Research and Promotion Programs to ensure funds are used in accordance with its rules, regulations and policies. Nothing came to our attention that caused us to believe that the Board had failed to comply with these rules and regulations as further discussed in our Report on Compliance with Laws, Regulations, Contracts and Grant Agreements.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Management recorded the following adjustment arising from the audit that in our judgement was significant to the financial statements:

Item #	Account Name and Adjustment Description	Debit	Credit
1	Accrued expenses	$74,603	
	General and administrative expenses		$13,231
	Marketing expenses		$5,412
	Research expenses		$55,960
	To adjust accrued expenses for items relating to 2020 that were accrued in 2019.		

The following uncorrected misstatement was brought to the attention of management. We concur with management's assessment that the effects of not recording such adjustment is immaterial to the financial statements taken as a whole, considering both qualitative and quantitative factors. The proposed adjustment will not cause future-period financial statements to be materially misstated.

Item #	Account Name and Adjustment Description	Debit	Credit
1	Research expense	$22,545	
	Beginning net assets		$22,545
	Entry to adjust for items accrued for in fiscal year 2018 that relate to services performed during fiscal year 2019.		

Results of Our Audit

QUALITY OF THE ORGANIZATION'S FINANCIAL REPORTING

A discussion was held regarding the quality of the Organization's financial reporting, which included the following:

- Qualitative aspects of significant accounting policies and practices
- Our conclusions regarding significant accounting estimates
- Significant unusual transactions
- Financial statement presentation
- New accounting pronouncements

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Organization's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in 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.
Significant Deficiency	A deficiency or 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.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Nonprofit's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

- We have communicated to management of the Organization the following control deficiency and provided suggestions for improvement of this deficiency that was identified as a result of our audit that we did not consider to be a material weakness or significant deficiency.

Control Deficiency	Comments
Accrued Expenses	During our testing of accrued expenses, we noted that certain amounts were not properly recorded on an accrual basis of accounting. These expenses related to research projects that exceeded a one-year term and therefore needed additional review of the related expenses to determine to which period they relate. An audit adjustment was recorded to adjust accrued expenses for those expenses relating to next fiscal year. We recommend that management thoroughly analyzes accrued expenses during the year-end close process to ensure expenses are recorded in the proper period.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the Organization:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Organization's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Significant findings and issues arising during the audit in connection with the Organization's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Organization's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
If applicable, other matters significant to the oversight of the Organization's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the Organization's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.
Independence communication	Our engagement letter to you dated December 12, 2019 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Organization with respect to independence as agreed to by the Organization. Please refer to that letter for further information.

New Lease Standard

OVERVIEW

Summary: In 2016, the Financial Accounting Standards Board (FASB) issued its highly-anticipated leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use ("ROU") assets and related lease liabilities on the balance sheet/statement of financial position for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement/statement of activities will depend on a lease's classification.

Lessor accounting remains largely consistent with previous U.S. GAAP, but has been updated for consistency with the new lessee accounting model and with the new revenue standard, ASC 606.

ASU 2016-02 was subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01 and 2019-10.

For nonprofit organizations, the standard takes effect for fiscal years beginning after December 15, 2020.

Ways to Prepare for and Implement the New Standard:
1. Identify and classify all leases based on the criteria in the ASU.
2. Prepare draft financial statements based on the guidance in the ASU and determine if your organization has any potential issues with meeting current debt covenants as a result of recording these leases on the statement of financial position.
3. Review current lease disclosures and update to meet the criteria of the ASU

Those charged with governance have a responsibility to hold management accountable for implementation plans and sufficient timelines to ensure that accounting, internal control, operational, and reporting considerations are being met and that expected disclosures, prior to adoption, are adequate in describing the anticipated impact of the new lease standard.

To aid in this effort, BDO encourages those charged with governance to review the Center for Audit Quality's (CAQ) ***Preparing for the New Leases Accounting Standard - A Tool for Audit Committees***. The tool provides guidance and sample questions for consideration during the implementation process. The implementation of the new standard will take significant effort, will affect multiple functional areas, and comes on the heels of the extensive requirements of the adoption of the new nonprofit financial statement standard and the new revenue recognition standard.

Management and those charged with governance are encouraged to review recommended resources including the following to keep current on developments with respect to the lease standard implementation:

- FASB Topic 842: Presentation and Disclosure
- Definition of a Lease: What's In and What's Out of ASC 842
- BDO Knows: Topic 842, Leases
- BDO Knowledge Program: The New Leasing Standard - Are You Ready?
- CAQ Tool: Preparing for the Leases Accounting Standard: A Tool for Audit Committees
- FASB Issues Targeted Improvements to Leases Standard
- FASB Issues Clarifications to Leases Standard

BDO Institute for Nonprofit Excellence℠ Resource Center

AN INCREDIBLE RESOURCE AT YOUR FINGERTIPS

With a focus on delivering the highest possible audit quality, we design and execute efficient, compliant audits that are (1) delivered by technically competent and thoughtful professionals, (2) are valued by our clients, and (3) can be relied on with confidence by capital markets.

The BDO Institute for Nonprofit Excellence℠ Resource Center was born from the need to have a comprehensive, online, and easy-to-use resource for topics relevant to nonprofit governing boards and financial executives. We encourage you to visit the Center often for up-to-date information and insights you can rely on.

What you will find includes:

- Guidance and best practices related to the unique regulatory, economic, accounting, reporting and auditing aspects for nonprofits
- Thought leadership, blog posts, tools, and newsletters
- Technical updates and insights on emerging nonprofit issues
- Opportunities to engage with BDO thought leaders
- Events and webinars geared toward the unique issues affecting nonprofit organizations

For more information about BDO's Institute for Nonprofit Excellence℠ Resource Center please go to https://www.bdo.com/resource-center/institute-for-nonprofit-excellence.

To begin receiving email notifications regarding BDO publications and event invitations (live and web-based), visit https://www.bdo.com/member/registration and create a user profile.

If you already have an account on BDO's website, visit the My Profile page to login and manage your account preferences https://www.bdo.com/member/my-profile.

To subscribe to receive posts from our Nonprofit Standard Blog, please go to https:/www.bdo.com/blogs/nonprofit-standard and fill out the subscription form on the right-hand side of the page.