

**USHBC FINANCE COMMITTEE
MEETING MINUTES
March 2, 2007**

USHBC Finance Committee Chairman Mike Makara called the meeting of the USHBC Finance Committee to order at 12 noon on Friday, March 2, 2007. Roll call showed committee members Henson Barnes, Ron Bodtke, Beverlee DeJonge, Art Galletta, Doug Krahrmer and Lorrie Merker in attendance. Also present at the meeting, held at the Hilton Walt Disney World in Orlando, Florida, were USDA representative Rafael Manzoni and USHBC staff members Mark Villata, Mary Nezbeth and Terry Bowles.

The first order of business was a discussion of the results of the 2006 USHBC financial audit conducted by the accounting firm of Tate, Propp, Beggs and Sugimoto (TPB&S) of Sacramento. USHBC Bookkeeper Terry Bowles introduced Michael Tate from TPB&S who discussed their audit results. Copies of the audit report were distributed to committee members and Tate noted that the USHBC had received a clean report from the auditors in all their tests. The statement of financial position report shows that unrestricted net assets at the end of 2006 total \$609,930 compared to \$693,472 at the same time the previous year. The audited statement of cash flows shows cash at the end of 2006 totaling \$2,307,443 compared to \$2,157,543 at the end of 2005. A copy of the 2006 audit will be sent to all USHBC members following this meeting. Tate noted that, as is the case with all smaller operations, the size of the USHBC accounting and administrative staff precludes certain controls which means that the USHBC Board of Directors and Finance Committee should continue to be actively involved in the financial affairs of the USHBC by providing oversight and independent reviews of accounting and operating functions. He also noted that the internal control of cash receipts by the Council office could be strengthened by having cash receipts opened and counted by two individuals and that the USHBC Compliance Coordinator maintain a list of cash receipts for reconciliation with bank deposit slips. Staff will implement this action. Tate's comments were summarized in a letter to the management which he distributed to committee members and which is attached to, and included as part of, these minutes as Exhibit #1. Lorrie Merker moved, with a second from Art Galletta, to accept the audit report and the motion carried.

The committee discussed the remaining balance of \$31,351 in outstanding 2001 and 2002 import assessments still being carried on the USHBC books. Based on recent feedback received from the USDA that indicates that it will be very doubtful that these funds could be recovered, particularly in the case of outstanding funds from foreign firms, the Committee elected to write-off this remaining balance as uncollectible. Beverlee DeJonge moved, with a second from Doug Krahrmer, to write off this outstanding import dues balance and the motion carried. Though this balance will be written off, Lorrie Merker moved, with a second from Doug Krahrmer, that the USHBC send a letter to the USDA voicing our concern about this issue and the support we received in trying to pursue this outstanding balance. The motion carried.

The second agenda item was a final report on 2005 domestic crop collections and calendar year 2006 import assessment receipts. Bowles reported that the final collections on the 2005 domestic crop totaled \$1,421,335 (96% of total crop) and that with the 2001/02 import assessment write-off our calendar year 2006 import collections totaled \$483,753 (see Exhibit #2). Art Galletta asked if

the USHBC was investing cash where we can receive maximum interest. Various CD options were discussed. Given this discussion Lorrie Merker moved, with a second from Beverlee DeJonge, that committee members Art Galletta, and Lorrie Merker, along with Terry Bowles, Mark Villata and a representative from El Dorado Savings, hold a telephone conference call to discuss interest options. The motion carried.

Agenda item three was a review of final 2006 budget expenditures and 2007 expenditures to date, current cash position and projected funds available for 2007. Bowles reported that the USHBC cash position as of the end of 2006 is +\$149,900 greater than the total at the same time last year (\$2,307,442 versus \$2,157,542). Assets total \$2.4 million this year compared to \$2.2 million last year while liabilities total \$1.8 million compared to \$1.5 million in 2005 (see Exhibit #3). The USHBC spent 83% of the budget in 2006 (\$2,290,897 spent versus a budget of \$2,749,177). Income in 2006 was up +\$286,324 primarily due to increases in USDA Market Access Program (MAP) receipts. All categories came in under budget with the exception of Travel and Meeting Expenses due to increased costs for officer and member travel (see Exhibit #4). Bowles noted that Mark Villata had reallocated marketing versus administrative percentages as previously directed by the committee and based on these revisions the USHBC spent 87% of the budget on marketing related costs (\$1,984,851) and 13% on administrative activity (\$306,046). Lorrie Merker moved, with a second from Ron Bodtke, to accept the revised marketing versus administrative percentages as detailed in Exhibit #5 and the motion carried. The committee reviewed 2006 domestic crop assessment collections received to date to fund the 2007 program noting that a total of \$1,515,000 has been collected which accounts for 97% of the currently estimated crop (see Exhibit #6).

The committee discussed the current estimate of \$460,000 to be collected from import assessments in calendar year 2007. Based on 2006 collections, the committee decided to increase estimated import dues receipts to \$550,000. Art Galletta moved, with a second from Doug Kraemer, to increase the import estimate and the motion carried. With this modification the committee now estimates a total of \$2,817,365 available for 2007 (Cash in the Bank as of 1/31/07 totaling \$2,138,435 plus \$550,000 in anticipated 2007 import assessments and \$128,930 in USDA MAP program allocations).

The final agenda item was a discussion of any changes to the currently approved 2007 USHBC budget. Based on 2006 expenditures and our final USDA MAP allocation for 2007, Villata proposed that line item #500.40 *USDA/MAP Allocation (USDA \$)* be reduced from \$166,499 to \$128,930; line item #500.50 *Magazine Advertising* be increased from \$120,000 to \$123,000 and line item #500.70 *Reserve* be reduced from \$44,500 to \$41,500. He also suggested line item #550.30 *Blueberry Research Bank* be increased from \$10,000 to \$15,000; that line item #600.25 *Blueberry Acreage Survey* be increased from \$15,000 to \$16,000; that line item #850.15 *Administrative Staff Travel* be increased from \$2,932 to \$4,000; line item #850.20 *Officer/Member Travel* be increased from \$53,000 to \$60,000 and that line item #900 *Uncommitted Reserve* be reduced from \$230,869 to \$216,801. With these changes the 2007 budget would total \$2,448,845.

With a revised level of 2007 funds available now totaling \$2,817,365 the committee discussed where to allocate these additional dollars. Given previous strategic planning discussions concerning the establishment of a USHBC Food Safety Committee Ron Bodtke moved, with a second from Art Galletta, that a new category for *Food Safety* be added to the 2007 budget at

\$50,000 and that this category be considered a 100% marketing related cost. The motion carried. Additional discussion followed with committee consensus that *Market Promotion Reserve* be increased to \$300,000 and that an additional \$60,020 be added to *Uncommitted Reserve* resulting in a 2007 budget of \$2,817,365. Art Galletta moved for acceptance of this revised budget. Beverlee DeJonge gave her second to the motion. Villata noted that the USHBC would be receiving a donation of \$50,000 from the Chilean Exporters Association to enable the USHBC to conduct increased winter blueberry promotions in the first quarter of 2007. Given this donation Galletta amended his motion to reflect this additional \$50,000 to be allocated to *Uncommitted Reserve* and that the revised 2007 USHBC budget to be recommended by the Finance Committee total \$2,867,365 as detailed in Exhibit #7. Beverlee DeJonge gave her second to the amendment and the motion carried.

There being no further business Lorrie Merker moved, with a second from Doug Kraemer, to adjourn the meeting. The motion carried and the meeting was adjourned at 1:35pm.