



National 4-H Council and Controlled Affiliates

Consolidated Financial Statements,
Schedule of Expenditures of Federal
Awards, and Independent Auditor's Reports
Required by *Government Auditing Standards*
and OMB Circular A-133
Years Ended June 30, 2013 and 2012

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National 4-H Council and Controlled Affiliates

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Independent Auditor's Report

To the Board of Trustees
National 4-H Council and Controlled Affiliates
Chevy Chase, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statement of **National 4-H Council and Controlled Affiliates** (collectively referred to as Council), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **National 4-H Council and Controlled Affiliates** as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013 on our consideration of 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 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 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 Council's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Council's 2012 consolidated financial statements, and our report dated November 27, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 19, 2013

**Consolidated
Financial Statements**

National 4-H Council and Controlled Affiliates

Consolidated Statements of Financial Position

June 30, 2013 (with comparative totals for June 30, 2012)

	Unrestricted				Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
	General	Board Designated	Total Unrestricted					
Current Assets								
Cash and cash equivalents	\$ 3,540,085	\$ -	\$ 3,540,085	\$ 1,149,046	\$ -	\$ 4,689,131	\$ 2,052,844	
Short-term investments	-	480,248	480,248	7,946,999	-	8,427,247	7,676,488	
Accounts receivable, net	2,645,473	-	2,645,473	-	-	2,645,473	2,405,734	
Contributions receivable	309,146	-	309,146	2,403,001	-	2,712,147	4,933,271	
Merchandise inventories, net	1,733,985	-	1,733,985	-	-	1,733,985	1,454,211	
Other assets	124,591	-	124,591	-	-	124,591	102,745	
Total current assets	8,353,280	480,248	8,833,528	11,499,046	-	20,332,574	18,625,293	
Noncurrent Assets, net of current portion								
Contributions receivable	-	-	-	1,300,000	-	1,300,000	1,233,278	
Long-term investments	116,154	7,450,390	7,566,544	1,073,652	235,397	8,875,593	11,953,808	
	116,154	7,450,390	7,566,544	2,373,652	235,397	10,175,593	13,187,086	
Property and Equipment								
Land and buildings	26,049,117	-	26,049,117	-	-	26,049,117	25,466,658	
Furniture and equipment	10,191,183	-	10,191,183	-	-	10,191,183	9,647,170	
	36,240,300	-	36,240,300	-	-	36,240,300	35,113,828	
Less accumulated depreciation and amortization	(27,270,065)	-	(27,270,065)	-	-	(27,270,065)	(26,117,800)	
	8,970,235	-	8,970,235	-	-	8,970,235	8,996,028	
Total noncurrent assets	9,086,389	7,450,390	16,536,779	2,373,652	235,397	19,145,828	22,183,114	
Total assets	\$ 17,439,669	\$ 7,930,638	\$ 25,370,307	\$ 13,872,698	\$ 235,397	\$ 39,478,402	\$ 40,808,407	

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Financial Position

June 30, 2013 (with comparative totals for June 30, 2012)

	Unrestricted				2013 Total	2012 Total	
	General	Board		Temporarily Restricted			Permanently Restricted
		Designated	Unrestricted				
Current Liabilities							
Accounts payable and accrued expenses	\$ 4,519,101	\$ -	\$ 4,519,101	\$ -	\$ 4,519,101	\$ 3,838,440	
Accrued postretirement benefit liability	80,037	-	80,037	-	80,037	79,119	
Deferred revenue	1,533,071	-	1,533,071	-	1,533,071	1,568,374	
Agency funds and other	842,442	-	842,442	-	842,442	1,127,643	
Total current liabilities	6,974,651	-	6,974,651	-	6,974,651	6,613,576	
Noncurrent Liabilities, net of current portion							
Accrued postretirement benefit liability	2,719,988	-	2,719,988	-	2,719,988	2,948,502	
Deferred revenue	27,895	-	27,895	-	27,895	-	
Unfunded pension liability	4,132,358	-	4,132,358	-	4,132,358	6,839,987	
Total noncurrent liabilities	6,880,241	-	6,880,241	-	6,880,241	9,788,489	
Total liabilities	13,854,892	-	13,854,892	-	13,854,892	16,402,065	
Net Assets							
Undesignated	(5,385,458)	460,740	(4,924,718)	-	(4,924,718)	(7,586,191)	
Plant fund	8,970,235	480,248	9,450,483	-	9,450,483	9,384,299	
Program support	-	-	-	11,486,059	11,486,059	13,966,432	
Endowment fund	-	3,989,650	3,989,650	2,386,639	6,611,686	5,641,802	
Long-term reserve	-	3,000,000	3,000,000	-	3,000,000	3,000,000	
Total net assets	3,584,777	7,930,638	11,515,415	13,872,698	25,623,510	24,406,342	
Total liabilities and net assets	\$ 17,439,669	\$ 7,930,638	\$ 25,370,307	\$ 13,872,698	\$ 39,478,402	\$ 40,808,407	

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Activities

For the year ended June 30, 2013 (with comparative totals for June 30, 2012)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
	General	Board Designated	Total Unrestricted				
Operating Revenue							
Contributions received from the public	\$ 1,884,447	\$ -	\$ 1,884,447	\$ 13,602,372	\$ -	\$ 15,486,819	\$ 15,383,656
Federal grant revenue	7,028,430	-	7,028,430	-	-	7,028,430	4,806,084
In-kind services	631,224	-	631,224	-	-	631,224	535,797
Registration fees and tuitions	372,173	-	372,173	-	-	372,173	208,735
National 4-H Youth Conference Center	10,557,868	-	10,557,868	-	-	10,557,868	9,876,038
National 4-H Supply Service	4,565,522	-	4,565,522	-	-	4,565,522	4,921,369
Investment return allocated to operations	581,107	-	581,107	-	-	581,107	502,845
Other	271,910	-	271,910	-	-	271,910	146,936
Net assets released from restrictions	16,098,904	-	16,098,904	(16,098,904)	-	-	-
Total revenue	41,991,585	-	41,991,585	(2,496,532)	-	39,495,053	36,381,460
Expenses							
Program services							
Education programs	24,717,254	-	24,717,254	-	-	24,717,254	22,423,774
Other programs							
National 4-H Youth Conference Center	8,045,864	-	8,045,864	-	-	8,045,864	7,389,498
National 4-H Supply Service	4,093,339	-	4,093,339	-	-	4,093,339	4,163,504
Total other programs	12,139,203	-	12,139,203	-	-	12,139,203	11,553,002
Total program services	\$ 36,856,457	\$ -	\$ 36,856,457	\$ -	\$ -	\$ 36,856,457	\$ 33,976,776

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates
Consolidated Statements of Activities

For the year ended June 30, 2013 (with comparative totals for June 30, 2012)

	Unrestricted		Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
	General	Board Designated				
		Total Unrestricted				
Supporting services						
Management and general	\$ 2,333,993	\$ 2,333,993	\$ -	\$ -	\$ 2,333,993	\$ 1,818,398
Fundraising	2,799,520	2,799,520	-	-	2,799,520	2,410,683
Total supporting services	5,133,513	5,133,513	-	-	5,133,513	4,229,081
Total expenses before pension costs	41,989,970	41,989,970	-	-	41,989,970	38,205,857
Change in net assets before pension costs	1,615	1,615	(2,496,532)	-	(2,494,917)	(1,824,397)
Pension costs - operating	626,335	626,335	-	-	626,335	349,811
Change in net assets from operating activities	(624,720)	(624,720)	(2,496,532)	-	(3,121,252)	(2,174,208)
Nonoperating increase (decrease)						
Contributions	-	57,807	28,820	-	86,627	127,411
Investment return	458,328	294,337	88,888	-	841,553	243,903
Unrealized gain (loss) on investment	824,124	437,485	188,350	-	1,449,959	(422,234)
Investment spending allocation	(581,107)	-	-	-	(581,107)	(502,845)
Named fund spending	-	-	(18,055)	-	(18,055)	(194,967)
Postretirement medical costs	227,596	-	-	-	227,596	(718,126)
Pension related changes other than net periodic pension costs	2,331,847	-	-	-	2,331,847	(3,028,349)
Change in net assets from nonoperating activities	3,260,788	789,629	288,003	-	4,338,420	(4,495,207)
Change in net assets	2,636,068	789,629	(2,208,529)	-	1,217,168	(6,669,415)
Net assets, beginning of year	948,709	7,141,009	16,081,227	235,397	24,406,342	31,075,757
Net assets, end of year	\$ 3,584,777	\$ 7,930,638	\$ 13,872,698	\$ 235,397	\$ 25,623,510	\$ 24,406,342

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Functional Expenses

For the year ended June 30, 2013 (with comparative totals for June 30, 2012)

	Program Services				Supporting Services			2012 Total
	Education Programs	National 4-H Youth Conference Center	National 4-H Supply Service	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, payroll taxes and employee benefits	\$ 5,865,224	\$ 3,691,190	\$ 1,017,016	\$ 10,573,430	\$ 1,361,675	\$ 1,333,381	\$ 2,695,056	\$ 13,268,486
Organizational training	19,428	10,463	743	30,634	19,104	4,462	23,566	54,200
Awards, scholarships and grants	9,818,464	-	-	9,818,464	-	14,026	14,026	9,832,490
Cost of goods sold	982	758,624	1,713,395	2,473,001	-	-	-	2,473,001
Staff and participant travel and meetings	1,262,446	112,921	67,111	1,442,478	95,716	179,514	275,230	1,717,708
Program/operating resources and office supplies	203,775	880,262	41,102	1,125,139	85,349	36,922	122,271	1,247,410
Printing and publications	50,068	14,342	56,253	120,663	35,559	3,990	39,549	160,212
Professional fees	5,990,283	461,875	208,590	6,660,748	537,074	816,448	1,353,522	8,014,270
Utilities and telephone	131,329	727,656	50,572	909,557	26,481	35,312	61,793	971,350
Postage and shipping	20,690	4,792	459,882	485,364	4,093	6,557	10,650	496,014
Insurance	36,958	71,027	-	107,985	36,106	-	36,106	144,091
Equipment maintenance and rental	66,343	39,079	17,174	122,596	66,235	-	66,235	188,831
Facilities rental	201,691	318	153,258	355,267	9,801	4,806	14,607	369,874
Public relations and promotion	544,035	264,812	207,314	1,016,161	1,444	12,021	13,465	1,029,626
In-kind services	354,649	-	-	354,649	-	276,575	276,575	631,224
Other	11,825	70,955	68,337	151,117	9,974	13,759	23,733	174,850
Depreciation and amortization	139,064	937,548	32,592	1,109,204	45,382	61,747	107,129	1,216,333
Total expenses before operating pension costs	24,717,254	8,045,864	4,093,339	36,856,457	2,333,993	2,799,520	5,133,513	41,989,970
Pension costs - operating	282,807	174,242	48,008	505,057	58,336	62,942	121,278	626,335
Total expenses after operating pension costs	\$ 25,000,061	\$ 8,220,106	\$ 4,141,347	\$ 37,361,514	\$ 2,392,329	\$ 2,862,462	\$ 5,254,791	\$ 42,616,305

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Cash Flows

Years ended June 30,	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 1,217,168	\$ (6,669,415)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	1,216,333	1,224,958
Provision for allowance of doubtful accounts	-	(47,312)
Loss on disposal of fixed assets	-	208
Net unrealized and realized (gains) losses on investments	(2,054,684)	477,705
(Increase) decrease in assets		
Accounts receivable	(239,739)	(267,106)
Contributions receivable	2,154,402	389,731
Merchandise inventories	(279,774)	(224,504)
Other assets	(21,846)	(4,204)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	680,661	170,294
Accrued postretirement benefit liability	(227,596)	712,805
Deferred revenue	(7,408)	15,674
Agency funds and other	(285,201)	69,521
Unfunded pension liability	(2,707,629)	2,296,563
Net cash used in operating activities	(555,313)	(1,855,082)
Cash flows from Investing Activities		
Purchases of property and equipment	(1,190,540)	(1,261,958)
Purchases of investments	(1,351,497)	(1,039,397)
Proceeds from sales of investments	5,733,637	2,082,460
Net cash provided by (used in) investing activities	3,191,600	(218,895)
Increase (decrease) in cash and cash equivalents	2,636,287	(2,073,977)
Cash and cash equivalents, beginning of year	2,052,844	4,126,821
Cash and cash equivalents, end of year	\$ 4,689,131	\$ 2,052,844

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

Summary of Accounting Policies

Organization Purpose and Consolidation Policy

National 4-H Council is an Ohio not-for-profit corporation that utilizes private and government resources in its efforts to advance the 4-H youth development movement to build a world in which youth and adults learn, grow and work together as catalysts for positive change. The 4-H program is the youth education program of the Cooperative Extension System of the State Land-Grant Universities and the U.S. Department of Agriculture. National 4-H Council includes two major divisions, the National 4-H Youth Conference Center and National 4-H Supply Service.

National 4-H Activities Foundation (Activities Foundation) is an Ohio not-for-profit corporation that is a 501(c)(3) controlled affiliate of National 4-H Council. Activities Foundation was established in July 2000 to service the accounting and legal needs of nationally-operated 4-H initiatives.

National 4-H Congress Foundation (Congress Foundation) is an Ohio not-for-profit corporation that is a 501(c)(3) controlled affiliate of National 4-H Council. Congress Foundation was established in May 2011 to operate and provide assistance with the operations of National 4-H Congress.

Global Clover Network, Inc. (formerly National 4-H Foundation for Innovation, Inc.) is an Ohio not-for-profit corporation that is a 501(c)(3) controlled affiliate of National 4-H Council. There was no activity for Global Clover Network, Inc. in 2013 and 2012.

The consolidated financial statements include the accounts of National 4-H Council, National 4-H Activities Foundation, National 4-H Congress Foundation and Global Clover Network, Inc. (collectively referred to as Council). All significant transactions between the organizations, including all inter-organization balances, have been eliminated in consolidation.

Summarized Financial Information for 2012

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class in the consolidated statements of activities and by expense detail in the consolidated statements of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Council's consolidated financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Basis of Accounting

The consolidated financial statements of Council have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

reporting period. Significant estimates included in these financial statements include the retirement plan obligation, the postretirement plan obligation, and the accounts receivable reserve. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of operating cash accounts, petty cash and highly liquid, short-term instruments with original maturities of three months or less.

Investments

Investments consist of marketable securities and are carried at readily determinable fair values. The fair values of Council's investments in hedge funds are based on management's evaluation of estimates and assumptions from information and representations provided by the fund in the absence of readily ascertainable market values. Unrealized and realized gains and losses are included in the consolidated statements of activities. Long-term investments represent amounts designated by Council or donors for use in future years.

Financial Instruments and Credit Risk

Financial instruments which potentially subject Council to concentrations of credit risk consist principally of investments held at creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade and other receivables is limited because Council deals with a large number of customers over a wide geographic area.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the sale of educational aids and rental of conference facilities. The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years' experience and management's analysis of subsequent collections. Accounts receivable are written off if reasonable collection efforts prove unsuccessful.

Contributions Receivable

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The discount computed for 2013 and 2012 was not material and has not been recorded in the accompanying consolidated financial statements. Management considers all promises to give to be fully collectible, therefore, no allowance for doubtful accounts has been established. Conditional promises to give are not included as support until the conditions are substantially met.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

Merchandise Inventories

Inventory, consisting of Supply Service and Campus Shop merchandise and educational aids, is stated at the lower of cost or market. Inventory is valued using the standard cost method of inventory valuation.

Property and Equipment

Property and equipment are recorded at cost, or if donated, such assets are capitalized at the estimated fair market value at the date of receipt. Council capitalizes all expenditures for property and equipment over \$1,000 (\$500 for electronic equipment). Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is recorded. Repairs and maintenance are charged to expense when incurred.

Council reports existing assets and gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Council reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

Council reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the consolidated statements of activities, to its current fair value.

Deferred Revenue

Deferred revenue consists primarily of grants that qualify as exchange transactions and prepayments for services to be rendered. Fees received in advance for programs and conferences to be held in the following fiscal year are recorded as deferred revenue until the related event has occurred.

Agency Funds

Council holds certain funds on behalf of others for which it acts in an administrative capacity. These agency funds are included as liabilities and related assets in the form of short-term investments in the accompanying consolidated statements of financial position. Short-term investments include approximately \$112,000 and \$120,000 of agency funds which are being held on behalf of others, for the years ended June 30, 2013 and 2012, respectively. The activities involved in spending these funds are not included as revenue or expense in Council's consolidated statements of activities, as they are not expended on behalf of Council.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

Unrestricted - board designated net assets consist of net assets designated by the Board for a specific use.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are subject to donor restrictions and income earned on permanently restricted net assets. Council is permitted to use up or expend the donated assets in accordance with the donor restrictions.

Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Council. The restrictions stipulate that resources be maintained permanently but permit Council to expend the income generated in accordance with the provisions of the agreement.

Revenue Recognition

Revenue is recognized when earned. Contributions are reported when an unconditional promise to give or other asset is received (in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

In-Kind Services

A substantial number of individual volunteers have donated significant amounts of time to Council's program services and to its fundraising campaigns. No amounts have been recognized in the consolidated statements of activities since these jobs done by Council volunteers do not fall into the criteria established by the FASB in this area.

Services and assets donated by organizations are recorded at fair value at the date of donation. Council records donated services, including advertising, consulting, and printing services, and donated assets at the respective fair value of the services and assets received. The amount of donated services and assets recorded as revenue and expense was \$631,224 and \$535,797 for the years ended June 30, 2013 and 2012, respectively.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

Measure of Operations

For purposes of this presentation, Council considers revenue not available in the current period, based on Board designation or donor intent, and expenses incurred outside of its operations as nonoperating. Council has defined operating investment income as the maximum of 5% of the rolling average of the beginning unrestricted market value of the immediately preceding three years, excluding the Plant Fund assets. All other investment income is recorded as nonoperating and supports the net asset class as designated by the donor.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes to conform to the current year presentation.

1. Tax Status

National 4-H Council has been granted exemption by the Internal Revenue Service (IRS) from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that National 4-H Council is not a private foundation. National 4-H Council is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. National 4-H Council earns unrelated business income on facility rental and advertising. National 4-H Council did not incur any income tax expense for the years ended June 30, 2013 and 2012, respectively.

National 4-H Activities Foundation (Activities Foundation) has been granted exemption by the Internal Revenue Service from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that Activities Foundation is not a private foundation. Activities Foundation is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. Activities Foundation had no sources of unrelated business income for the years ended June 30, 2013 and 2012.

National 4-H Congress Foundation (Congress Foundation) has been granted exemption by the Internal Revenue Service from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that Congress Foundation is not a private foundation. Congress Foundation is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. Congress Foundation had no sources of unrelated business income for the years ended June 30, 2013 and 2012.

Global Clover Network, Inc. has been granted exemption by the Internal Revenue Service (IRS) from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that Global Clover Network, Inc. is not a private foundation. Global Clover Network, Inc. is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. Global Clover Network, Inc. had no sources of unrelated business income for the years ended June 30, 2013 and 2012.

Council follows the provisions of FASB ASC 740. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. Council does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

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Council has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Council has filed Internal Revenue Service Form 990 and Form 990-T tax returns, as required, and all other applicable returns in jurisdictions where it is required. Council believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years prior to 2009. For the years ended June 30, 2013 and 2012, no interest or penalties were recorded or included in the consolidated statements of activities.

2. Concentration of Credit Risk

Council maintains cash balances, which, at times, may exceed federally insured limits. While the amounts in the bank accounts at times may exceed the amount guaranteed by federal agencies and therefore bear some risk, Council has not experienced any loss of funds.

3. Accounts Receivable

Accounts receivable consist of the following at:

<i>June 30,</i>	2013	2012
Federal awards	\$ 1,947,004	\$ 1,658,555
National 4-H Youth Conference Center customers	271,767	458,080
National 4-H Supply Service customers	351,653	295,099
Other	81,049	-
	<u>2,651,473</u>	<u>2,411,734</u>
Less allowance for doubtful accounts	(6,000)	(6,000)
Accounts receivable, net	<u>\$ 2,645,473</u>	<u>\$ 2,405,734</u>

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

4. Investments

The components of Council's investments are as follows at:

<i>June 30,</i>	2013	2012
First Western Company		
Equity fund	\$ 4,622,631	\$ 4,705,917
Fixed income	2,205,491	2,523,487
International	1,987,474	2,127,720
Real estate equity fund	518,732	606,125
Cash reserves held in investments portfolio	68,395	63,110
Gabelli Funds		
Equity fund	4,389,157	4,869,449
Fixed income	2,305,429	2,828,987
International	-	431,018
Aetos hedge funds	1,205,531	1,474,483
	17,302,840	19,630,296
Less short-term investments	(8,427,247)	(7,676,488)
	\$ 8,875,593	\$ 11,953,808

Council invests in mutual funds, which define realized gains as capital gains, interest, gains and dividend distributions. The interest and dividends earned and realized gain/loss incurred on these investments are recorded as investment return in the accompanying consolidated statements of activities. Council pays First Western Company and Gabelli Funds an advisory and administration fee based on the average daily balance invested in the funds. Such fees are netted with investment return on the accompanying consolidated statements of activities.

Investment return, net of expenses of \$40,205 and \$31,182 for the years ended June 30, 2013 and 2012, respectively, is as follows:

<i>June 30,</i>	2013	2012
Interest and dividends	\$ 236,828	\$ 299,374
Realized gain (loss)	604,730	(55,471)
Unrealized gain (loss)	1,449,954	(422,234)
Total investment return	\$ 2,291,512	\$ (178,331)

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Notes to Consolidated Financial Statements

5. Fair Value Measurements

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Basis of Fair Value Measurement

Level 1 Inputs: Valuation based on quoted prices in active markets for identical unrestricted assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Inputs: Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 Inputs: Valuation based on inputs that are unobservable for an asset or liability and shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input therefore reflects Council's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Total Council investment assets at fair value classified within level 3 are \$1,205,531 and \$1,474,483 as of June 30, 2013 and 2012, respectively, which primarily consists of managed hedge funds. Such amounts were 7.0% and 7.5% of total investments on Council's consolidated statements of financial position as of June 30, 2013 and 2012, respectively.

Mutual Funds:

The fair values of the participation units owned by Council in mutual funds, invested in securities portfolios, are based on the underlying investments and are based on the net asset value of the shares held by Council at the end of the year. Investment income from the mutual funds in Council's financial statements reflects earnings of the respective underlying funds, including investment income and investment return of the fair value of the investments.

Alternative Investments:

Council's alternative investments are held in private investment funds which are valued based on level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, the fair value of the alternative investments is estimated based on management's estimates and assumptions using information provided to Council by the investment

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manager. The values are based on estimates that require varying degrees of judgment. Individual holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly-traded securities, and other investment vehicles. The investments may directly expose Council to the effects of securities lending, short sale of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, Council's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment. The financial statements of the investees are audited annually by a nationally recognized firm of independent auditors. Council does not directly invest in the underlying securities of the investment fund and due to restrictions on transferability and timing of withdrawals from the funds, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

The following tables set forth by level within the fair value hierarchy Council's investment assets at fair value as of June 30, 2013 and 2012. As required by FASB ASC 820, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Investment Assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond - Inter-term investment	\$ 3,915,186	\$ -	\$ -	\$ 3,915,186
Stock - large cap: value	2,868,897	-	-	2,868,897
Stock - large cap: blend	2,335,002	-	-	2,335,002
Stock - international large cap: blend	1,603,691	-	-	1,603,691
Stock - small cap: blend	1,864,425	-	-	1,864,425
Stock - large cap: growth	1,943,464	-	-	1,943,464
Bond - short-term investment	595,734	-	-	595,734
Stock - real estate	518,732	-	-	518,732
Stock - emerging markets large cap blend:	383,783	-	-	383,783
Alternative investments:				
Aetos Long/Short Strategies Cayman Fund	-	-	460,482	460,482
Aetos Multi-Strategy Arbitrage Cayman Fund	-	-	484,501	484,501
Aetos Distressed Investments Strategy Cayman Fund	-	-	260,548	260,548
Cash reserves:	68,395	-	-	68,395
Total investments at fair value	\$ 16,097,309	\$ -	\$ 1,205,531	\$ 17,302,840

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Investment Assets at Fair Value as of June 30, 2012				
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond - Inter-term investment	\$ 4,697,051	\$ -	\$ -	\$ 4,697,051
Stock - large cap: value	4,279,962	-	-	4,279,962
Stock - large cap: blend	2,290,784	-	-	2,290,784
Stock - international large cap: blend	1,691,777	-	-	1,691,777
Stock - small cap: blend	1,670,310	-	-	1,670,310
Stock - large cap: growth	1,334,310	-	-	1,334,310
Bond - short-term investment	655,423	-	-	655,423
Stock - real estate	606,125	-	-	606,125
Stock - emerging markets large cap: blend	435,943	-	-	435,943
Stock - international large cap: growth	431,018	-	-	431,018
Alternative investments:				
Aetos Long/Short Strategies Cayman Fund	-	-	587,096	587,096
Aetos Multi-Strategy Arbitrage Cayman Fund	-	-	589,572	589,572
Aetos Distressed Investments Strategy Cayman Fund	-	-	297,815	297,815
Cash reserves:	63,110	-	-	63,110
Total investments at fair value	\$ 18,155,813	\$ -	\$ 1,474,483	\$ 19,630,296

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of Council's level 3 investment assets for the years ended June 30, 2013 and 2012. As reflected in the table below, the net unrealized gains or (losses) on level 3 investment assets were \$117,348 and \$(20,333), respectively, for the years ended June 30, 2013 and 2012.

Level 3 Investment Assets and Liabilities Year Ended June 30,	2013	2012
Balance, beginning of year	\$ 1,474,483	\$ 1,494,816
Unrealized gain (loss)	131,048	(20,333)
Realized gain (loss)	-	-
Purchases	-	-
Sales	(400,000)	-
Issuances	-	-
Settlements	-	-
Net transfers in and out of Level 3	-	-
Balance, end of year	\$ 1,205,531	\$ 1,474,483

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Unrealized gains and losses are recorded in the consolidated statements of activities as part of nonoperating income.

Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, Council expanded its disclosures to include the category, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which the fair value is not readily determinable, as of June 30, 2013. For Council, such assets include investments in the Aetos hedge funds.

The following table for June 30, 2013, sets forth a summary of Council's investments with a reported NAV.

Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Aetos hedge funds:				
Aetos Long/Short Strategies				
Cayman Fund (a)	\$ 460,482	\$ -	Quarterly	90 days
Aetos Multi-Strategy Arbitrage				
Cayman Fund (b)	484,501	-	Quarterly	90 days
Aetos Distressed Investments				
Strategy Cayman Fund (c)	260,548	-	Quarterly	90 days
	\$ 1,205,531	\$ -		

(a) This category includes investments in hedge funds and allocates its assets amongst portfolio managers across a variety of long/short strategies. The fair market value of investments in this category has been estimated using the net asset value per share of these investments.

(b) This category includes investments in hedge funds and allocates its assets amongst portfolio managers that use a variety of arbitrage strategies, including identification of mispricing in securities that will be resolved through an anticipated event. Such events include mergers, acquisitions and spinoffs. The fair market value of investments in this category has been estimated using the net asset value per share of these investments.

(c) This category includes investments in hedge funds and allocates its assets amongst portfolio managers that use a variety of distressed investment strategies. The fund's managers buy the securities (generally bonds and bank loans) of companies that are in bankruptcy or in danger of bankruptcy. The fair market value of investments in this category has been estimated using the net asset value per share of these investments.

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Notes to Consolidated Financial Statements

Quantitative information as of June 30, 2013, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) is as follows:

Description	Fair Value	Principal Valuation Techniques	Unobservable input	Weighted Average
			Values assigned to underlying fund investments utilizing third party pricing information less liabilities of the fund.	
a. Hedged Equity Strategy	\$ 1,205,531	Net Asset Value		N/A

Level 3 Valuation Process

Council's investment advisor performs on-going due diligence of the funds which includes benchmarking and comparing the results of each of the funds to certain indexes such as the S&P Index. Council's investment advisor also has regular calls with management of the funds and meets periodically with Council's investment committee and reports the performance of the funds. The investment advisor also analyzes and reports back to Council's finance committee on the performance of funds' management. There were no changes in valuation techniques noted for these funds for 2013 and 2012.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of Council's alternative investments are subject to market risks resulting from changes in the market value of its investments.

6. Property and Equipment

Property and equipment consists of the following at:

<i>June 30,</i>	2013	2012
Buildings	\$ 25,749,117	\$ 25,166,658
Land	300,000	300,000
	<u>26,049,117</u>	<u>25,466,658</u>
Furniture and equipment	10,191,183	9,647,170
	<u>36,240,300</u>	<u>35,113,828</u>
Less accumulated depreciation and amortization	(27,270,065)	(26,117,800)
	<u>(27,270,065)</u>	<u>(26,117,800)</u>
Property and equipment, net	<u>\$ 8,970,235</u>	<u>\$ 8,996,028</u>

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$1,216,333 and \$1,224,958, respectively.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

7. Line of Credit

Council maintains a line of credit of \$3,000,000 with BB&T Bank. Interest on the line is calculated at a variable rate of 1.25% over the LIBOR Market Index Rate.

This line of credit is secured against Council's brokerage account. Council was in compliance with its debt covenants for the years June 30, 2013 and 2012.

There were no amounts outstanding on the line of credit at June 30, 2013 and 2012. The interest rate at June 30, 2013 and 2012 was 1.443% and 1.496%, respectively.

8. Deferred Revenue

Deferred revenue represents amounts received by Council in advance for services to be performed or events to be held subsequent to year end. Deferred revenue consists of the following at:

<i>June 30,</i>	2013	2012
National 4-H Youth Conference Center registration and housing fees paid in advance	\$ 1,556,867	\$ 1,559,139
Other	4,099	9,235
	<u>1,560,966</u>	<u>1,568,374</u>
Less short-term portion	(1,533,071)	(1,568,374)
Long-term deferred revenue	<u>\$ 27,895</u>	<u>\$ -</u>

9. Net Assets

Temporarily restricted net assets are restricted by donors as follows:

<i>June 30,</i>	2013	2012
Purpose restricted	\$ 3,703,001	\$ 5,732,269
Purpose and time restricted for the period after June 30, 2013 and 2012	10,169,697	10,348,958
Total temporarily restricted net assets	<u>\$ 13,872,698</u>	<u>\$ 16,081,227</u>

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2013	2012
Education program activities	\$ 11,486,059	\$ 13,966,432
Quasi endowment activities	2,386,639	2,114,795
Total temporarily restricted net assets	<u>\$ 13,872,698</u>	<u>\$ 16,081,227</u>

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Quasi endowment activities represent temporarily restricted net assets whose realized earnings are used as intended by the donor.

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by the passage of time, releasing time restrictions, as follows:

<i>June 30,</i>	2013	2012
Purpose restrictions accomplished	\$ 631,224	\$ 535,797
Purpose and time restrictions accomplished and expired	15,467,680	14,707,890
Total net assets released from restrictions	\$ 16,098,904	\$ 15,243,687

Permanently restricted net assets represent a donor-restricted endowment composed of various named funds to be held in perpetuity. Investment income earned on the majority of the named funds within this endowment is temporarily restricted until appropriated by the Board for uses which align with the donor's interest. Temporarily restricted investment income is used according to the donor-imposed restriction. Permanently restricted net assets of \$235,397 as of June 30, 2013 and 2012 are available for endowment purposes.

10. Endowment

Council's endowment consists of individual funds established for a variety of purposes as discussed in note 9. Council's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In accordance with FASB ASC 958, Council treats all donor-restricted endowment funds as permanently or temporarily restricted net assets. These endowment funds are invested in a pool with all other investments of Council. The returns on the endowment funds invested have been included in temporarily restricted investment return in the consolidated statements of activities.

Endowment Net Asset Composition

The following table represents the composition of Council's endowment by net asset class at June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,386,639	\$ 235,397	\$ 2,622,036
Board-designated endowment funds	7,930,638	-	-	7,930,638
Total	\$ 7,930,638	\$ 2,386,639	\$ 235,397	\$ 10,552,674

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The following table represents the composition of Council's endowment by net asset class at June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,114,795	\$ 235,397	\$ 2,350,192
Board-designated endowment funds	7,141,009	-	-	7,141,009
Total	\$ 7,141,009	\$ 2,114,795	\$ 235,397	\$ 9,491,201

Changes in Endowment Net Assets

The following table represents the changes in endowment net assets during the year ended:

<i>June 30, 2013:</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 7,141,009	\$ 2,114,795	\$ 235,397	\$ 9,491,201
Interest and dividends	93,912	29,350	-	123,262
Net appreciation of investments	637,910	247,888	-	885,798
Contributions	57,807	28,820	-	86,627
Amounts appropriated for expenses	-	(34,214)	-	(34,214)
Endowment net assets, end of the year	\$ 7,930,638	\$ 2,386,639	\$ 235,397	\$ 10,552,674

The following table represents the changes in endowment net assets during the year ended:

<i>June 30, 2012:</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 7,119,127	\$ 2,292,134	\$ 235,397	\$ 9,646,658
Interest and dividends	82,849	28,737	-	111,586
Net depreciation of investments	(111,958)	(54,679)	-	(166,637)
Contributions	50,991	76,424	-	127,415
Amounts appropriated for expenses	-	(227,821)	-	(227,821)
Endowment net assets, end of the year	\$ 7,141,009	\$ 2,114,795	\$ 235,397	\$ 9,491,201

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Return Objectives and Risk Parameters

By policy, Council investments are maintained in a balanced investment program. The primary objective is to provide maximum growth consistent with a policy of prudent investment and protection of assets. Growth will be attained through appreciation of assets, inclusion of additional funds when available, and from retention of earnings of the fund.

Under this policy, the invested assets achieve a long-term growth rate, which will surpass the long-run rate of inflation for a blended benchmark, whichever is greater according to the certain performance standards. Real growth will be measured by combining security price appreciation with earned income for a total return review and subsequently comparing this figure to the Consumer Price Index.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In order to protect the endowments against losses and to insure relative stability in its annual earnings the spending policy determines how much of the total return will be distributed to support programs. The spending policy aims to achieve a reasonable degree of stability and predictability in income available for current operations. The spending rule allows Council management to spend up to 5% of the average of the prior three years' beginning fiscal year unrestricted market value, excluding Plant Fund assets, for programmatic purposes, regardless of the current year's market performance or earnings in the form of dividends, interest, or capital appreciation/depreciation. The spending policy will be reviewed periodically to determine its impact on the investment portfolio and organizational net assets.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Council to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no endowment funds with deficiencies for the years ended June 30, 2013 and 2012.

11. Employee Retirement Plans and Postretirement Benefit Plan

Employee Retirement Plan

Council has a noncontributory, defined benefit pension plan (the Retirement Plan) that provides benefits for most of Council's employees upon attaining the age of 20 and one-half and completing at least 1,000 hours of service during their first year of employment or any subsequent plan year. Council makes annual contributions to the Retirement Plan equal to the minimum funding standards of ERISA and accrues pension expense based upon actuarial cost methods. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The fair value of the plan assets was less than the estimated benefit obligation at June 30, 2013 and 2012. Minimum contributions of \$765,507 and \$648,277 were required for the years ended June 30, 2013 and 2012 to satisfy the Retirement Plan's funding requirements for the year per the actuarial computation. Council contributed \$1,002,117 and \$1,081,597 in fiscal years 2013 and 2012, respectively, and is required to contribute \$765,507 during the 2014 fiscal year.

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The following is a summary of the funded status of the Retirement Plan as of June 30 and the key assumptions used by the Retirement Plan's actuary. These calculations are performed based on a measurement date of July 1, 2012 and 2011 for fiscal years ended June 30, 2013 and 2012, respectively.

Change in Benefit Obligation

<i>Years ended June 30,</i>	2013	2012
Benefit obligation, beginning of year	\$ (17,267,932)	\$ (15,023,437)
Interest cost	(673,595)	(766,790)
Actuarial gain (loss)	1,185,491	(2,333,803)
Benefits paid	867,086	856,098
Benefit obligation, end of year	\$ (15,888,950)	\$ (17,267,932)

The retirement plan was frozen effective June 30, 2009 and no additional benefits were earned by participants after that date. This plan freeze resulted in a curtailment accounting under FASB ASC 715. However, the gain, or reduction, in the projected benefit obligation (PBO) due to the freeze was less than the unrecognized net loss. Therefore, there is no immediate effect of the curtailment that needs to be recognized in the consolidated statements of activities. Rather, this reduction in PBO is recognized as a reduction in the unrecognized net loss on the Retirement Plan's Statement of Net Assets Available for Benefits.

Amounts recognized in the consolidated statements of financial position consist of the following at:

<i>June 30,</i>	2013	2012
Accumulated benefit obligation	\$ (15,888,950)	\$ (17,267,932)
Projected benefit obligation	\$ (15,888,950)	(17,267,932)
Fair value of plan assets	11,756,592	10,427,945
Funded status - under funded	\$ (4,132,358)	\$ (6,839,987)
Unfunded pension liability	\$ (4,132,358)	\$ (6,839,987)

Items not yet recognized as a component of net periodic postretirement benefit cost:

<i>Year ended June 30,</i>	2013	2012
Actuarial loss	\$ 7,408,606	\$ 9,740,453
Total	\$ 7,408,606	\$ 9,740,453

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Components of net periodic benefit cost recognized as expenses in the accompanying consolidated statements of activities:

<i>Year ended June 30,</i>	2013	2012
Interest cost	\$ 673,595	\$ 766,790
Expected return on plan assets	(789,266)	(908,466)
Amortization of prior service cost	-	-
Amortization of prior losses	742,006	491,487
Net periodic benefit cost	\$ 626,335	\$ 349,811

Amounts of net gain and net prior service cost recognized in the accompanying consolidated statements of activities apart from expenses:

<i>Year ended June 30,</i>	2013	2012
Amount reclassified to net periodic benefit cost	\$ (742,006)	\$ (491,487)
Amount arising during the period	(1,589,841)	3,519,836
Total	\$ (2,331,847)	\$ 3,028,349

The estimated amount of actuarial loss for the year ended June 30, 2013 to be amortized during the following year is \$543,898.

The components of plan assets and the average asset allocations by asset category are as follows:

<i>June 30,</i>	2013		2012	
Mutual funds - Equity	\$ 4,933,862	42%	\$ 4,037,981	39%
Mutual funds - Fixed income	2,437,571	21%	2,381,393	23%
Mutual funds-International equity	2,062,247	17%	1,782,601	17%
Aetos hedge funds	1,307,873	11%	1,297,547	12%
Real estate equity fund	546,042	5%	523,302	5%
Group annuity contract	147,320	1%	151,540	1%
Short-term fund	321,677	3%	253,581	3%
Total plan assets at fair value	\$ 11,756,592	100%	\$ 10,427,945	100%

The plan also follows ASC 820 (see Note 5). Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at June 30, 2013 and 2012.

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Mutual Funds

Investments in mutual funds represent units of participation in the respective funds and the fair value is determined by reference to the respective fund's underlying assets, which are principally marketable equities and fixed income securities. Shares held in mutual funds are traded on national securities exchanges and are valued at the net asset value.

Aetos Hedge Funds

The fair value of the alternative investments is estimated based on plan management's estimates and assumptions using information provided to the plan by the investment manager. The values are based on estimates that require varying degrees of judgment and are classified as level 3 inputs within the investment hierarchy. Individual holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly-traded securities, and other investment vehicles. The investments may directly expose the plan to the effects of securities lending, short sale of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, the plan's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment. The financial statements of the investees are audited annually by a nationally recognized firm of independent auditors. The plan does not directly invest in the underlying securities of the investment fund and due to restrictions on transferability and timing of withdrawals from the funds, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Group Annuity Contract

The group annuity contract, consisting of an immediate participation guarantee (IPG) contract entered into during 1976, is stated at contract value. Contract value represents contributions made under the contract plus interest at the contract rate less funds used to provide retirement benefits and pay administration expenses charged by the insurance company and the group contract administrator, and approximates fair value. There are no reserves against contract value for credit risk of the contract issuers or others.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

The following tables set forth, by level within the fair value hierarchy, the plan's investment assets that are measured at fair value on a recurring basis as of June 30, 2013 and 2012. As required by ASC 820, investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Asset Category:	Investment Assets at Fair Value			2013
	Level 1	Level 2	Level 3	Total
Mutual funds:				
U.S. Core Equity Fund Class E	\$ 1,310,234	\$ -	-	\$ 1,310,234
Quantitative Equity Fund Class E	1,211,979	-	-	1,211,979
U.S. Growth Fund Class E	1,170,671	-	-	1,170,671
U.S. Value Class E	-	-	-	-
U.S. Small & Mid Cap Fund Class E	1,240,978	-	-	1,240,978
International Fund E	1,666,918	-	-	1,666,918
Emerging Markets Class E	395,329	-	-	395,329
Investment Grade Bond Fund Class E	1,130,471	-	-	1,130,471
Strategic Bond Fund Class E	647,607	-	-	647,607
Short Duration Bond Class E	659,493	-	-	659,493
Real Estate Fund E	546,042	-	-	546,042
Aetos hedge funds:				
Long/Short Strategies Cayman Fund	-	-	503,424	503,424
Multi-Strategy Arbitrage Cayman Fund	-	-	524,899	524,899
Distressed Investment Strategy Cayman Fund	-	-	279,550	279,550
Group annuity contract:				
Lincoln National Life Insurance Company Group annuity contract	-	-	147,320	147,320
Short term fund:	321,677	-	-	321,677
Total investments at fair value	\$ 10,301,399	\$ -	\$ 1,455,193	\$ 11,756,592

Level 3 investments were 12% of total plan assets at fair value.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

	Investment Assets at Fair Value			2012
	Level 1	Level 2	Level 3	Total
Asset Category:				
Mutual funds:				
U.S. Core Equity Fund Class E	\$ 983,287	\$ -	\$ -	\$ 983,287
Quantitative Equity Fund Class E	996,478	-	-	996,478
U.S. Growth Fund Class E	603,659	-	-	603,659
U.S. Value Class E	475,290	-	-	475,290
U.S. Small & Mid Cap Fund Class E	979,267	-	-	979,267
International Fund E	1,410,514	-	-	1,410,514
Emerging Markets Class E	372,087	-	-	372,087
Investment Grade Bond Fund Class E	1,115,586	-	-	1,115,586
Strategic Bond Fund Class E	637,128	-	-	637,128
Short Duration Bond Class E	628,679	-	-	628,679
Real Estate Fund E	523,302	-	-	523,302
Aetos hedge funds:				
Long/Short Strategies Cayman Fund	-	-	516,638	516,638
Multi-Strategy Arbitrage Cayman Fund	-	-	518,803	518,803
Distressed Investment Strategy Cayman Fund	-	-	262,106	262,106
Group annuity contract:				
Lincoln National Life Insurance Company Group annuity contract	-	-	151,540	151,540
Short term fund:	253,581	-	-	253,581
Total investments at fair value	\$ 8,978,858	\$ -	\$ 1,449,087	\$ 10,427,945

Level 3 investments were 14% of total plan assets at fair value.

The following table sets forth the reconciliation of beginning and ending balances related to fair value measurements using significant unobservable inputs (Level 3):

	Aetos Hedge Funds	Group Annuity Contract	Total
Balance as of July 31, 2011	\$ 1,315,446	\$ 172,347	\$ 1,487,793
Interest	-	4,522	4,522
Payments and settlements	-	(25,329)	(25,329)
Net realized and unrealized gains	(17,899)	-	(17,899)
Balance as of June 30, 2012	1,297,547	151,540	1,449,087
Interest	-	3,488	3,488
Payments and settlements	-	(7,708)	(7,708)
Net realized and unrealized losses	10,326	-	10,326
Balance as of June 30, 2013	\$ 1,307,873	\$ 147,320	\$ 1,455,193

Refer to Note 5 for Net Asset Value disclosure of the Aetos hedge funds. Management of Council is invested in the same Aetos hedge funds for the retirement plan and Council.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

Council utilizes a target allocation of 50%-70% of the portfolio to be invested in equities with up to 30% of that to be invested in international equities. The fixed income portfolio should represent 30%-50% of the total portfolio. Due to ongoing economic conditions, Council did not maintain the allocations noted above; however, the investment policy allows discretionary levels between the upper and lower ranges.

Weighted average assumptions used to determine the benefit obligation and net periodic benefit cost are as follows:

<i>Years ended June 30,</i>	2013	2012
<i>Benefits Obligation:</i>		
Discount rate	4.50%	4.00%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.50%	7.50%
<i>Net Periodic Benefit Cost:</i>		
Discount rate	4.00%	5.25%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.50%	8.50%

The expected long-term rate of return on assets was determined by multiplying the historical rate of return for an asset class by the percentage of plan assets invested in that class and then adding the result for all classes. In general, it was based on returns for the Retirement Plan and the Retirement Plan's target asset allocation.

<i>Years ended June 30,</i>	2013	2012
Net periodic benefit cost	\$ 626,335	\$ 349,811
Employer contributions	\$ 1,002,117	\$ 1,081,597
Participant contributions	\$ -	\$ -
Benefits paid	\$ 867,086	\$ 856,098

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

<i>Years ending June 30,</i>	
2014	\$ 976,220
2015	951,534
2016	949,019
2017	966,664
2018	954,763
2019-2023	4,688,675
	\$ 9,486,875

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

403(b) Plan

All employees are eligible to participate in a defined contribution retirement plan with Principal Trust Company after reaching the age of 21. Under the plan, Council contributes 2.5% of the employee's annual gross pay and 50 percent of the first 3 percent of eligible compensation deferred by participants. Employees may contribute up to 100 percent of their compensation not to exceed the annual maximum allowable amount under the Internal Revenue Code. Employee contributions may be in the form of a salary deduction or, more typically, a salary reduction whereby taxes on the contribution are deferred until retirement. Retirement expenses were \$305,068 and \$293,553 for the years ended June 30, 2013 and 2012, respectively.

Postretirement Benefit Plan

Council also sponsors a postretirement health care benefit plan (the Postretirement Plan) that covers all full-time associates. The Postretirement Plan pays stated percentages of most necessary medical expenses incurred by retirees, after subtracting payments by Medicare or other providers and after a stated deductible has been met. Participants become eligible for these benefits if they retire from Council after reaching age 55 with 10 or more years of service. The Postretirement Plan is contributory, with retiree contributions adjusted annually. The accounting for the Postretirement Plan anticipates future cost-sharing changes that are consistent with Council's announced policy regarding retiree premium contributions. Eligible participant retirees pay an amount equal to 10% of the total individual premium and 50% of the total individual premium if they wish to have this health coverage for a spouse. There are no requirements for Council to fund the Postretirement Plan, and as such no contribution has been made for the years ended June 30, 2013 and 2012. Council expects to contribute \$80,037 to its retiree medical plan in fiscal year 2014. The actuarial calculations are based on a measurement date of July 1, 2012 and 2011 for the years ended June 30, 2013 and 2012, respectively.

The measures of the benefit obligation and net periodic postretirement benefit cost reflect the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). However, there is no effect on Council's plan due to the prescription drug benefit being ineligible for any federal subsidy.

The following table sets forth the Postretirement Plan's funded status and amounts recognized in Council's consolidated statements of financial position at:

<i>June 30,</i>	2013	2012
Accumulated benefit obligation	\$ (2,800,025)	\$ (3,027,621)
Fair value of plan assets	-	-
Funded status - under funded	\$ (2,800,025)	\$ (3,027,621)
Accrued benefits cost (including \$80,037 and \$79,119 reported as current liability for 2013 and 2012, respectively)	\$ (2,800,025)	\$ (3,027,621)

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

Items not yet recognized as a component of net periodic postretirement benefit cost:

<i>Year ended June 30,</i>	2013	2012
Actuarial (loss)/gain	\$ (7,595)	\$ (6,038)

Components of net periodic postretirement cost in the accompanying consolidated statements of activities:

<i>Year ended June 30,</i>	2013	2012
Service cost	\$ 121,585	\$ 95,880
Interest cost	111,182	115,575
Actuarial gain	-	(30,043)
Net periodic postretirement benefit cost	\$ 232,767	\$ 181,412

Estimated amounts to be amortized during the following year:

<i>Year ended June 30,</i>	2013	2012
Actuarial gain	\$ -	\$ -

Weighted average assumptions used to determine the postretirement benefit obligation are as follows:

<i>Years ended June 30,</i>	2013	2012
Discount rate	4.50%	4.00%
Health care cost trend rate		
Medical claims	7.00%	8.00%
Prescription drugs	7.00%	8.00%

The assumed trend of prescription drug costs is expected to decrease through 2014 when it is projected to reduce to 5.0%. The following table sets forth the effect of a 1% increase and a 1% decrease in the trend assumption on the aggregate of the services and interest cost components of the net periodic postretirement benefit cost and the accumulated postretirement benefit obligation as of:

<i>June 30, 2013</i>	Assumed Trend	Assumed Trend +1%	Assumed Trend -1%
Service and interest cost	\$ 232,767	\$ 271,198	\$ 199,870
Accumulated postretirement obligation	\$ 2,800,025	\$ 3,137,128	\$ 2,499,328
<i>June 30, 2012</i>	Assumed Trend	Assumed Trend +1%	Assumed Trend -1%
Service and interest cost	\$ 211,455	\$ 245,015	\$ 182,636
Accumulated postretirement obligation	\$ 3,027,621	\$ 3,395,129	\$ 2,702,493

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

<i>Years ended June 30,</i>	2013	2012
Benefit cost	\$ 232,767	\$ 181,412
Benefits paid	\$ 67,999	\$ 60,016

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<i>Years ending June 30,</i>	
2014	\$ 80,037
2015	81,983
2016	84,961
2017	87,699
2018	92,472
2019-2023	526,990
	\$ 954,142

Given the estimates included in the calculations of these accumulated benefit obligations, it is possible amounts recorded under these plans may change in the near term. As stated earlier in the Summary of Accounting Policies, the value of Council's investments has a direct impact on its funded status. The actual impact, if any, and future required contributions cannot be determined at this time.

12. Commitments

Operating Leases

Council has commitments under operating leases for office space and equipment expiring at various times through 2016. Some leases have scheduled rental increases and some contain options to renew.

Minimum rental payments under non-cancelable operating leases are as follows for the years ending June 30:

2014	\$ 116,062
2015	71,315
2016	66,572
	\$ 253,949

For the years ended June 30, 2013 and 2012 rental expense was \$351,708 and \$332,397, respectively.

National 4-H Council and Controlled Affiliates

Notes to Consolidated Financial Statements

Contingencies

At any given time, Council may be involved in various claims or administrative matters. Management believes that at June 30, 2013, any liability that results from resolving these matters will not materially impact Council's consolidated financial position.

13. Consolidated Financial Information

The following chart of unrestricted operating revenue, operating expenses and change in net assets from unrestricted operating activities is presented for purposes of additional analysis of the consolidated financial statements.

<i>Year ended June 30, 2013</i>	National 4-H Council	National 4-H Activities Foundation	National 4-H Congress Foundation	Total
Revenue	\$ 41,561,161	\$ -	\$ 430,424	\$ 41,991,585
Expenses	42,176,040	-	440,265	42,616,305
Decrease in net assets from operating activities	\$ (614,879)	\$ -	\$ (9,841)	\$ (624,720)

<i>Year ended June 30, 2012</i>	National 4-H Council	National 4-H Activities Foundation	National 4-H Congress Foundation	Total
Revenue	\$ 37,904,135	\$ -	\$ 389,518	\$ 38,293,653
Expenses	38,505,668	-	50,000	38,555,668
(Decrease) Increase in net assets from operating activities	\$ (601,533)	\$ -	\$ 339,518	\$ (262,015)

14. Subsequent Events

Council evaluated subsequent events through November 19, 2013, which is the date the consolidated financial statements were available to be issued. There were no events that required adjustments to or disclosure in the consolidated financial statements.

**Schedule of Expenditures of
Federal Awards**

National 4-H Council and Controlled Affiliates

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<i>United States Department of Justice</i>		
<i>Office of Juvenile Justice and Delinquency Programs</i>		
National Mentoring Program	16.726	\$ 5,442,796
Tribal Youth National Mentoring Program	16.726	718,950
		6,161,746
<i>United States Department of Agriculture</i>		
<i>Cooperative State Research, Education, and Extension Service</i>		
Engaging Youth, Serving Community	10.500	577,114
<i>National Science Foundation</i>		
<i>Pass Through from Duke University</i>		
TechXcite Research Program	47.076	289,570
Total Expenditures of Federal Awards		\$ 7,028,430

National 4-H Council and Controlled Affiliates

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Council and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Council provided federal awards to subrecipients as follows:

<u>Program Name/Project Name</u>	<u>Federal CFDA/Contract Number</u>	<u>Amount Provided to Subrecipients</u>
United States Department of Justice <i>Office of Juvenile Justice and Delinquency Programs</i>		
National Mentoring Program	16.726	\$ 4,644,273
Tribal Youth National Mentoring Program	16.726	573,091
United States Department of Agriculture <i>Cooperative State Research, Education, and Extension Service</i>		
Engaging Youth, Serving Community	10.500	241,812
Total		\$ 5,459,176

**Independent Auditor's
Reports Required by *Government
Auditing Standards* and OMB
Circular A-133**



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
National 4-H Council and Controlled Affiliates
Chevy Chase, Maryland

We have audited, in accordance with the 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 **National 4-H Council and Controlled Affiliates** (collectively referred to as "Council"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 the entity's consolidated 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 audit 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Council's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

November 19, 2013



Independent Auditor's Report on Compliance With Requirements For Each Major Program and Report on Internal Control Over Compliance

To the Board of Trustees
National 4-H Council and Controlled Affiliates
Chevy Chase, Maryland

Compliance

Report on Compliance for Each Major Federal Program

We have audited **National 4-H Council and Controlled Affiliates'** (collectively referred to as "Council") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Council's major federal programs for the year ended June 30, 2013. Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Council's compliance.

Opinion on Each Major Federal Program

In our opinion, Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



Report on Internal Control Over Compliance

Management of 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 audit of compliance, we considered Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 of a federal program 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

November 19, 2013

National 4-H Council and Controlled Affiliates

Schedule of Findings and Questioned Costs

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified yes none noted
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified yes none noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA/Contract Number</u>	<u>Name of Federal Program or Cluster</u>
16.726	Office of Juvenile Justice and Delinquency Programs National Mentoring Program
16.726	Office of Juvenile Justice and Delinquency Programs Tribal Youth National Mentoring Program
10.500	United States Department of Agriculture Engaging Youth, Serving Community

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

National 4-H Council and Controlled Affiliates

Schedule of Findings and Questioned Costs

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for Federal awards (as defined in section .510(a) of the Circular) that are required to be reported.