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 the Uniform Guidance

Years Ended June 30, 2017 and 2016

National 4-H Council and Controlled Affiliates

Consolidated Financial Statements,
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Required by *Government Auditing Standards*
and the Uniform Guidance

Years Ended June 30, 2017 and 2016

National 4-H Council and Controlled Affiliates

Contents

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive, Suite 800
McLean, VA 22102

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 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, 2017, 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 *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, 2017, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic 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 December 1, 2017, 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 2016 consolidated financial statements, and as described in the note on summary of accounting policies, expressed an unmodified opinion on those audited financial statements in our report dated October 28, 2016. In our opinion, the summarized comparative information presented herein, and as described in Summary of Accounting Policies Note as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

December 1, 2017

Consolidated Financial Statements

National 4H Council and Controlled Affiliates

Consolidated Statements of Financial Position

As of June 30, 2017 (with comparative totals for June 30, 2016)

	Unrestricted						
	General	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Current Assets							
Cash and cash equivalents	$ 2,802,075	$ -	$ 2,802,075	$ 4,963,876	$ -	$ 7,765,951	$ 5,748,316
Short-term investments	1,474,402	608,892	2,083,294	4,524,831	-	6,608,125	6,153,317
Accounts receivable, net	2,397,645	-	2,397,645	-	-	2,397,645	3,570,252
Contributions receivable	327,259	-	327,259	6,435,389	-	6,762,648	6,967,868
Merchandise inventories, net	1,922,257	-	1,922,257	-	-	1,922,257	1,966,871
Other assets	142,561	-	142,561	-	-	142,561	136,499
Total current assets	9,066,199	608,892	9,675,091	15,924,096	-	25,599,187	24,543,123
Noncurrent Assets							
Contribution receivable	-	-	-	850,000	-	850,000	2,450,625
Long-term investments	221,864	4,035,331	4,257,195	-	235,397	4,492,592	3,883,037
	221,864	4,035,331	4,257,195	850,000	235,397	5,342,592	6,333,662
Property and Equipment							
Land and buildings	29,844,040	-	29,844,040	-	-	29,844,040	29,100,272
Furniture and equipment	10,790,613	-	10,790,613	-	-	10,790,613	10,607,874
	40,634,653	-	40,634,653	-	-	40,634,653	39,708,146
Less accumulated depreciation	(32,980,915)	-	(32,980,915)	-	-	(32,980,915)	(31,484,588)
	7,653,738	-	7,653,738	-	-	7,653,738	8,223,558
Total noncurrent assets	7,875,602	4,035,331	11,910,933	850,000	235,397	12,996,330	14,557,220
Total assets	$ 16,941,801	$ 4,644,223	$ 21,586,024	$ 16,774,096	$ 235,397	$ 38,595,517	$ 39,100,343

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Financial Position

As of June 30, 2017 (with comparative totals for June 30, 2016)

	Unrestricted						
	General	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Current Liabilities							
Accounts payable and accrued expenses	$ 5,377,359	$ -	$ 5,377,359	$ -	$ -	$ 5,377,359	$ 6,279,363
Line of credit	2,500,000	-	2,500,000	-	-	2,500,000	-
Accrued postretirement benefit liability	74,093	-	74,093	-	-	74,093	69,558
Deferred revenue	1,834,626	-	1,834,626	-	-	1,834,626	2,425,153
Agency funds and other	430,396	-	430,396	-	-	430,396	643,290
Total current liabilities	10,216,474	-	10,216,474	-	-	10,216,474	9,417,364
Noncurrent Liabilities, net of current portion							
Accrued postretirement benefit liability	3,358,895	-	3,358,895	-	-	3,358,895	3,209,225
Deferred revenue	59,255	-	59,255	-	-	59,255	43,685
Unfunded pension liability	5,039,484	-	5,039,484	-	-	5,039,484	5,761,070
Total noncurrent liabilities	8,457,634	-	8,457,634	-	-	8,457,634	9,013,980
Total liabilities	18,674,108	-	18,674,108	-	-	18,674,108	18,431,344
Net Assets							
Undesignated	(9,386,045)	-	(9,386,045)	-	-	(9,386,045)	(9,796,010)
Plant fund	7,653,738	608,892	8,262,630	-	-	8,262,630	8,775,271
Program support	-	-	-	14,991,258	-	14,991,258	16,269,811
Endowment fund	-	1,035,331	1,035,331	1,782,838	235,397	3,053,566	2,419,927
Long-Term Reserve	-	3,000,000	3,000,000	-	-	3,000,000	3,000,000
Total net assets	(1,732,307)	4,644,223	2,911,916	16,774,096	235,397	19,921,409	20,668,999
Total liabilities and net assets	$ 16,941,801	$ 4,644,223	$ 21,586,024	$ 16,774,096	$ 235,397	$ 38,595,517	$ 39,100,343

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Activities

For the year ended June 30, 2017 (with comparative totals for June 30, 2016)

	Unrestricted						
	General	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Operating							
Revenue							
Contributions received from the public	$ 3,141,967	$ -	$ 3,141,967	$ 12,835,341	$ -	$ 15,977,308	$ 17,626,627
Federal grant revenue	8,343,853	-	8,343,853	-	-	8,343,853	10,650,307
In-kind services	360,023	-	360,023	-	-	360,023	1,496,998
Registration fees and tuitions	482,703	-	482,703	-	-	482,703	568,343
National 4-H Center	11,270,236	-	11,270,236	-	-	11,270,236	10,796,174
National 4-H Supply Service	4,839,899	-	4,839,899	-	-	4,839,899	5,079,804
Investment return allocated to operations	447,000	-	447,000	-	-	447,000	500,004
Other	939,539	-	939,539	-	-	939,539	52,470
Net assets released from restrictions	14,359,667	-	14,359,667	(14,359,667)	-	-	-
Total revenue	44,184,887	-	44,184,887	(1,524,326)	-	42,660,561	46,770,727
Expenses							
Program services							
Education programs	26,466,857	-	26,466,857	-	-	26,466,857	29,564,585
Other programs							
National 4-H Center	8,640,411	-	8,640,411	-	-	8,640,411	8,429,858
National 4-H Supply Service	4,181,784	-	4,181,784	-	-	4,181,784	3,951,083
Total other programs	12,822,195	-	12,822,195	-	-	12,822,195	12,380,941
Total program services	$ 39,289,052	$ -	$ 39,289,052	$ -	$ -	$ 39,289,052	$ 41,945,526

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Activities

For the year ended June 30, 2017 (with comparative totals for June 30, 2016)

	Unrestricted						
	General	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Supporting services							
Management and general	$ 3,056,935	$ -	$ 3,056,935	$ -	$ -	$ 3,056,935	$ 2,705,788
Fundraising	2,310,740	-	2,310,740	-	-	2,310,740	3,141,941
Total supporting services	5,367,675	-	5,367,675	-	-	5,367,675	5,847,729
Total expenses before pension costs	44,656,727	-	44,656,727	-	-	44,656,727	47,793,255
Change in net assets before pension cost	(471,840)	-	(471,840)	(1,524,326)	-	(1,996,166)	(1,022,528)
Pension cost - operating	594,211	-	594,211	-	-	594,211	254,401
Change in net assets from operating activities	(1,066,051)	-	(1,066,051)	(1,524,326)	-	(2,590,377)	(1,276,929)
Nonoperating increase (decrease)							
Contributions	-	19,952	19,952	30,701	-	50,653	152,060
Investment return, net	54,570	506,557	561,127	143,221	-	704,348	553,933
Unrealized gain (loss) on investments	137,034	159,076	296,110	81,245	-	377,355	(524,696)
Investment spending allocation	(447,000)	-	(447,000)	-	-	(447,000)	(500,004)
Named fund spending	-	(1,500)	(1,500)	(2,661)	-	(4,161)	(56,821)
Postretirement medical costs	(154,205)	-	(154,205)	-	-	(154,205)	(418,716)
Pension related changes other than net periodic pension costs	1,315,797	-	1,315,797	-	-	1,315,797	(2,698,934)
Change in net assets from nonoperating activities	906,196	684,085	1,590,281	252,506	-	1,842,787	(3,493,178)
Change in net assets	(159,855)	684,085	524,230	(1,271,820)	-	(747,590)	(4,770,107)
Net Assets, beginning of year	(1,572,452)	3,960,138	2,387,686	18,045,916	235,397	20,668,999	25,439,106
Net Assets, end of year	$ (1,732,307)	$ 4,644,223	$ 2,911,916	$ 16,774,096	$ 235,397	$ 19,921,409	$ 20,668,999

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, 2017 (with comparative totals for June 30, 2016)

	Program Services				Supporting Services				
	Education Programs	National 4-H Center	National 4-H Supply Service	Total Program Services	Management and General	Fundraising	Total Supporting Services	2017 Total	2016 Total
Salaries, payroll taxes and employee benefits	$ 7,099,435	$ 4,093,650	$ 1,060,193	$ 12,253,278	$ 2,091,740	$ 1,518,104	$ 3,609,844	$ 15,863,122	$ 15,001,733
Organizational training	22,082	7,492	764	30,338	10,315	2,291	12,606	42,944	56,669
Awards, scholarships and grants	13,423,539	-	-	13,423,539	-	3,750	3,750	13,427,289	15,538,667
Cost of goods sold	-	750,066	2,061,566	2,811,632	-	-	-	2,811,632	2,648,232
Staff and participant travel and meetings	853,206	15,488	20,756	889,450	85,559	107,061	192,620	1,082,070	1,237,924
Program/operating resources and office supplies	633,812	825,898	36,692	1,496,402	146,282	39,524	185,806	1,682,208	1,512,550
Printing and publications	41,670	14,446	23,976	80,092	16,116	4,768	20,884	100,976	142,106
Professional fees	3,119,231	705,907	176,724	4,001,862	339,238	544,069	883,307	4,885,169	5,712,115
Utilities and telephone	70,720	718,680	31,691	821,091	13,363	19,053	32,416	853,507	853,969
Postage and shipping	14,106	2,355	434,183	450,644	3,242	4,420	7,662	458,306	474,352
Insurance	44,592	101,479	-	146,071	49,445	-	49,445	195,516	184,131
Equipment maintenance & rental	50,761	63,602	1,692	116,055	57,843	-	57,843	173,898	201,372
Facilities rental	213,149	98	82,458	295,705	11,469	19,305	30,774	326,479	308,922
Public relations and promotion	228,217	248,560	108,537	585,314	250	12,776	13,026	598,340	667,173
In-kind services	335,639	1,900	-	337,539	-	22,484	22,484	360,023	1,496,998
Other	33,703	130,790	88,504	252,997	32,788	13,135	45,923	298,920	260,942
Depreciation	282,995	960,000	54,048	1,297,043	199,285	-	199,285	1,496,328	1,495,400
Total expenses before operation pension costs	26,466,857	8,640,411	4,181,784	39,289,052	3,056,935	2,310,740	5,367,675	44,656,727	47,793,255
Pension costs - operating	352,173	114,971	55,644	522,788	40,676	30,747	71,423	594,211	254,401
Total expenses after operatig pension costs	$ 26,819,030	$ 8,755,382	$ 4,237,428	$ 39,811,840	$ 3,097,611	$ 2,341,487	$ 5,439,098	$ 45,250,938	$ 48,047,656

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Cash Flows

Years ended June 30,	**2017**	2016
Cash Flows from Operating Activities		
Change in net assets	**$ (747,590)**	$ (4,770,107)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**1,496,328**	1,495,400
Net unrealized and realized (gains)/losses on investments	**(377,355)**	524,164
Loss on disposal of assets	**-**	4,808
(Increase) decrease in assets		
Accounts receivable	**1,172,607**	(1,848,739)
Contributions receivable	**1,805,845**	(1,424,975)
Merchandise inventories	**44,614**	(370,693)
Other assets	**(6,062)**	119,356
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**(902,004)**	1,469,217
Accrued postretirement benefit liability	**154,205**	418,716
Deferred revenue	**(574,957)**	1,164,163
Agency funds and other	**(212,894)**	(928,019)
Unfunded pension liability	**(721,586)**	2,851,535
Net cash provided by (used in) operating activities	**1,131,151**	(1,295,174)
Cash Flows from Investing Activities		
Purchases of property and equipment	**(926,508)**	(1,280,945)
Purchases of investments	**(753,943)**	(539,327)
Proceeds from sales of investments	**66,935**	205,853
Net cash used in investing activities	**(1,613,516)**	(1,614,419)
Cash Flows from Financing Activities		
Borrowing from line of credit	**3,500,000**	1,500,000
Payments on line of credit	**(1,000,000)**	(1,500,000)
Net cash provided by financing activities	**2,500,000**	-
Increase (decrease) in cash and cash equivalents	**2,017,635**	**(2,909,593)**
Cash and cash equivalents, beginning of year	**5,748,316**	8,657,909
Cash and cash equivalents, end of year	**$ 7,765,951**	$ 5,748,316

See accompanying 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 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. Global Clover Network, Inc. was established in 2014 to increase investment and participation in high quality 4-H positive youth development globally.

In 2014, the Global Clover Network Innovation Fund, Inc., which is an Ohio not-for-profit corporation was established. There was no activity for this fund in 2016 and 2017.

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 2016

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, 2016, 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 reporting period. Significant estimates included in these financial statements include the retirement plan obligation, and the postretirement plan obligation. 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 2017 and 2016 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. There were no conditional promises to give for the years ended June 30, 2017 and 2016.

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 $176,000 and $396,000 of agency funds which are being held on behalf of others, for the years ended June 30, 2017 and 2016, 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.

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 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 $360,023 and $1,496,998 for the years ended June 30, 2017 and 2016, respectively.

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.

Recently Adopted Authoritative Guidance

In August 2014, the FASB issued Accounting Standards Update (ASU) 2014-15, *Presentation of Financial Statements – Going Concern*. ASU 2014-15 defines management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The guidance is effective for Council for the fiscal year ended June 30, 2017. Management has determined this new standard has no significant impact on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update establishes a comprehensive revenue recognition standard for virtually all entities under U.S. GAAP including those that previously followed industry-specific guidance. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year. In addition, the FASB issued ASU 2016-20 in December 2016 that does not change the core principles of the standard, but clarifies certain narrow aspects of the standard including its scope, contract cost accounting, disclosures, illustrative examples, and other matters. The ASU becomes effective concurrently with ASU 2014-09.The guidance is effective for Council for fiscal years beginning after December 15, 2018. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330) – Simplifying the Measurement of Inventory*. The update requires that inventory be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for Council for fiscal years beginning after December 15, 2016. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The standard also requires lessors to treat a lease as a sale it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The guidance is effective for Council for fiscal years beginning after December 15, 2019 with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of their pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for Council's consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of their pending adoption of the new standard on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (Topic 715).* Under the ASU, an employer must report the service cost component in the same line item or items as other compensation costs arising from services rendered by pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities separately from the service cost component and outside the subtotal of income from operations if one is presented. If these other components are shown on a separate line an accurate description must be provided. If a separate line is not used, the footnotes must detail which line item these costs are included in on the statement of activities. The ASU is effective for annual periods beginning after December 15, 2018. Early adoption is permitted and there are specific requirements for what must be adopted retroactively and what must be adopted prospectively. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

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 incurred an immaterial amount of income tax expense for the year ended June 30, 2017 and no income tax expense for the year ended June 30, 2017.

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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016.

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.

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 2014. For the years ended June 30, 2017 and 2016, no interest or penalties were recorded or included in the consolidated statements of activities related to uncertain tax positions.

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:

June 30,	**2017**	201
Federal awards	**$ 1,847,792**	$ 2,972,22
National 4-H Center customers	**324,767**	337,74
National 4-H Supply Service customers	**240,341**	263,06
Other	**7,215**	3,21
	2,420,115	3,576,25
Less allowance for doubtful accounts	**(22,470)**	(6,000
Accounts receivable, net	**$ 2,397,645**	$ 3,570,25

4. Investments

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

June 30,	**2017**	201
First Western Company		
Equity fund	**$ 1,471,127**	$ 1,245,30
Fixed income	**707,241**	709,07
International	**647,744**	531,55
Real estate equity fund	**155,192**	152,77
Cash reserves held in investments portfolio	**4,229**	5,93
Gabelli Funds		
Equity fund	**5,746,329**	4,993,30
Fixed income	**1,905,940**	1,930,73
TIAA-CREF	**71,553**	104,46
Aetos hedge funds	**391,362**	363,19
	11,100,717	10,036,35
Less short-term investments	**(6,608,125)**	(6,153,317
Long-term investments	**$ 4,492,592**	$ 3,883,03

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 $24,585 and $29,269 for the years ended June 30, 2017 and 2016, respectively, is as follows:

June 30,	**2017**	201
Interest and dividends	**$ 701,765**	$ 553,40
Realized gain	**2,583**	53
Unrealized gain(loss)	**377,355**	(524,696
Total investment return	**$ 1,081,703**	$ 29,23

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 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.

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 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.

Council's alternative investments are valued using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. These investment funds are held as units for interest in hedge funds, which are stated at net asset value (NAV) or its equivalent. Council uses the NAV as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. Councils has not categorized these investment in levels within the fair value hierarchy table.

The following tables set forth by level within the fair value hierarchy Council's investment assets at fair value as of June 30, 2017 and 2016. 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, 2017

	Level 1	Level 2	Level 3	Investment Reported at NAV*	Total
Mutual funds:					
Bond – Inter-term investment	$ 2,423,212	$ -	$ -	$ -	$ 2,423,212
Stock – large cap: value	823,912	-	-	-	823,912
Stock – large cap: blend	3,361,089	-	-	-	3,361,089
Stock – international large cap: blend	647,744	-	-	-	647,744
Stock – small cap: blend	1,376,498	-	-	-	1,376,498
Stock – large cap: growth	1,727,510	-	-	-	1,727,510
Bond – short-term investment	189,969	-	-	-	189,969
Stock – real estate	155,192	-	-	-	155,192
Alternative investments:					
Aetos Long/Short Strategies Cayman Fund	-	-	-	179,152	179,152
Aetos Multi-Strategy Arbitrage Cayman Fund	-	-	-	143,445	143,445
Aetos Distressed Investments Strategy Cayman Fund	-	-	-	68,765	68,765
Cash reserves:	4,229	-	-	-	4,229
Total investments at fair value	**$ 10,709,355**	**$ -**	**$ -**	**$ 391,362**	**$ 11,100,717**

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

Investment Assets at Fair Value as of June 30, 2016

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
Mutual funds:					
Bond – Inter-term investment	$ 2,448,177	$ -	$ -	$ -	$ 2,448,177
Stock – large cap: value	764,313	-	-	-	764,313
Stock – large cap: blend	2,994,393	-	-	-	2,994,393
Stock – international large cap: blend	531,559	-	-	-	531,559
Stock – small cap: blend	1,142,539	-	-	-	1,142,539
Stock – large cap: growth	1,441,832	-	-	-	1,441,832
Bond – short-term investment	191,632	-	-	-	191,632
Stock – real estate	152,775	-	-	-	152,775
Alternative investments:					
Aetos Long/Short Strategies Cayman Fund	-	-	-	167,243	167,243
Aetos Multi-Strategy Arbitrage Cayman Fund	-	-	-	132,565	132,565
Aetos Distressed Investments Strategy Cayman Fund	-	-	-	63,389	63,389
Cash reserves:	5,937	-	-	-	5,937
Total investments at fair value	$ 9,673,157	$ -	$ -	$ 363,197	$10,036,354

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

Net Asset Value (NAV) Per Share

The following table for June 30, 2017 and 2016, sets forth a summary of Council's investments with a reported NAV.

Investments	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Aetos hedge funds:					
Aetos Long/Short Strategies Cayman Fund (a)	**$ 179,152**	$ 167,243	$ -	Quarterly	90 days
Aetos Multi-Strategy Arbitrage Cayman Fund (b)	**143,445**	132,565	-	Quarterly	90 days
Aetos Distressed Investments Strategy Cayman Fund (c)	**68,765**	63,389	-	Quarterly	90 days
	$ 391,362	$ 363,197	$ -		

(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.

6. Property and Equipment

Property and equipment consists of the following at:

June 30,	**2017**	2016
Buildings	**$ 29,544,040**	$ 28,800,272
Land	**300,000**	300,000
	29,844,040	29,100,272
Furniture and equipment	**10,790,613**	10,607,874
	40,634,653	38,708,146
Less accumulated depreciation and amortization	**(32,980,915)**	(31,484,588
Property and equipment, net	**$ 7,653,738**	$ 8,223,558

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was $1,496,328 and $1,495,400, respectively.

7. Line of Credit

Council maintains a $4,980,000 line of credit 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 has an outstanding amount on the line of credit of $2,500,000 and $0 and at June 30, 2017 and 2016, respectively. The interest rate at June 30, 2017 and 2016 was 2.375% and 1.750%, 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:

June 30,	**2017**	2016
National 4-H Center registration and housing fees paid in advance	**$ 1,683,699**	$ 2,141,056
Field Marketing Engagement Campaign	**202,586**	308,767
Supply	**7,596**	19,015
	1,893,881	2,468,838
Less short-term portion	**(1,834,626)**	(2,425,153)
Long-term deferred revenue	**$ 59,255**	$ 43,685

9. Net Assets

Temporarily restricted net assets are restricted by donors as follows:

June 30,	**2017**	2016
Purpose restricted	**$ 2,206,452**	$ 2,435,244
Purpose and time restricted for the period after June 30, 2017 and 2016	**14,567,644**	15,610,672
Total temporarily restricted net assets	**$ 16,774,096**	$ 18,045,916

Temporarily restricted net assets are available for the following purposes:

June 30,	2017	2016
Education program activities	**$ 14,991,258**	$ 16,269,811
Quasi endowment activities	**1,782,838**	1,776,105
Total temporarily restricted net assets	**$ 16,774,096**	$ 18,045,916

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:

June 30,	2017	2016
Purpose restrictions accomplished	**$ 360,023**	$ 1,496,998
Purpose and time restrictions accomplished and expired	**13,999,644**	13,515,896
Total net assets released from restrictions	**$ 14,359,667**	$ 15,012,894

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 restrictions. Permanently restricted net assets of $235,397 as of June 30, 2017 and 2016 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, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ 1,782,838**	**$ 235,397**	**$ 2,018,235**
Board-designated endowment funds	**4,644,223**	**-**	**-**	**4,644,223**
Total	**$ 4,644,223**	**$ 1,782,838**	**$ 235,397**	**$ 6,662,458**

The following table represents the composition of Council's endowment by net asset class at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,776,105	$ 235,397	$ 2,011,502
Board-designated endowment funds	3,960,138	-	-	3,960,138
Total	$ 3,960,138	$ 1,776,105	$ 235,397	$ 5,971,640

Changes in Endowment Net Assets

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

June 30, 2017:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	**$ 3,960,138**	**$ 1,776,105**	**$ 235,397**	**$ 5,971,640**
Interest and dividends	**506,557**	**143,221**	**-**	**649,778**
Net appreciation of investments	**159,076**	**81,245**	**-**	**240,321**
Contributions	**19,952**	**30,701**	**-**	**50,653**
Amounts appropriated for expenses	**(1,500)**	**(248,434)**	**-**	**(249,934)**
Endowment net assets, end of the year	**$ 4,644,223**	**$ 1,782,838**	**$ 235,397**	**$ 6,662,458**

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

June 30, 2016:	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of the year	$ 4,014,942	$ 1,879,263	$ 235,397	$ 6,129,602
Interest and dividends	451,782	79,940	-	531,722
Net depreciation of investments	(455,216)	(81,060)	-	(536,276)
Contributions	130	151,930	-	152,060
Amounts appropriated for expenses	(51,500)	(253,968)	-	(305,468)
Endowment net assets, end of the year	$ 3,960,138	$ 1,776,105	$ 235,397	$ 5,971,640

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. There were no endowment funds with deficiencies for the years ended June 30, 2017 and 2016.

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, 2017 and 2016. There were no minimum contributions required for the years ended June 30, 2017 and 2016, to satisfy the Retirement Plan's funding requirements for the year per the actuarial computation. Council contributed $0 and $249,182 in fiscal years 2017 and 2016, respectively, and is required to contribute $500,700 during the 2018 fiscal year.

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, 2016 and 2015 for fiscal years ended June 30, 2017 and 2016, respectively.

Change in Benefit Obligation

Years ended June 30,	**2017**	201(
Benefit obligation, beginning of year	**$ (17,846,967)**	$ (15,992,233)
Interest cost	**(607,673)**	(659,275)
Actuarial loss	**69,102**	(2,165,241)
Benefits paid	**1,001,400**	969,782
Benefit obligation, end of year	**$ (17,384,138)**	$ (17,846,967)

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:

June 30,	**2017**	2016
Accumulated benefit obligation	**$ (17,384,138)**	$ (17,846,967)
Projected benefit obligation	**$ (17,384,138)**	$ (17,846,967)
Fair value of plan assets	**12,344,654**	12,085,897
Funded status - under funded	**$ (5,039,484)**	$ (5,761,070)
Unfunded pension liability	**$ (5,039,484)**	$ (5,761,070)

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

Years ended June 30,	**2017**	2016
Actuarial loss	**$ 8,521,062**	$ 9,836,859
Total	**$ 8,521,062**	$ 9,836,859

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

Years ended June 30,	**2017**	2016
Interest cost	**$ 607,673**	$ 659,275
Expected return on plan assets	**(870,075)**	(972,381)
Amortization of prior service cost	**-**	-
Amortization of prior losses	**856,613**	567,507
Net periodic benefit cost	**$ 594,211**	$ 254,401

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

Years ended June 30,	**2017**	2016
Amount reclassified to net periodic benefit cost	**$ (856,613)**	$ (567,507)
Amount arising during the period	**2,172,410**	3,266,441
Total	**$ 1,315,797**	$ 2,698,934

The estimated amount of actuarial gain for the year ended June 30, 2017 to be amortized during the following year is $390,082.

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

June 30,	**2017**		2016	
Mutual funds - Equity	**$ 4,997,256**	**40%**	$ 4,912,034	41%
Mutual funds - Fixed income	**2,643,019**	**21%**	2,633,474	22%
Mutual funds - International equity	**2,330,212**	**19%**	2,247,896	18%
Aetos hedge funds	**1,547,261**	**13%**	1,435,127	12%
Real estate equity fund	**600,237**	**5%**	605,723	5%
Group annuity contract	**129,721**	**1%**	134,225	1%
Short-term fund	**96,948**	**1%**	117,418	1%
Total plan assets	**$ 12,344,654**	**100%**	$ 12,085,897	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, 2017 and 2016.

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 at NAV. 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.

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, 2017 and 2016. 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.

	Investment Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
Asset Category:					
Mutual funds:					
U.S. Core Equity Fund Class E	$ 1,579,816	$ -	$ -	$ -	$ 1,579,816
Quantitative Equity Fund Class E	1,089,616	-	-	-	1,089,616
U.S. Growth Fund Class E	1,091,921	-	-	-	1,091,921
U.S. Small & Mid Cap Fund Class E	1,235,903	-	-	-	1,235,903
International Fund E	1,876,034	-	-	-	1,876,034
Emerging Markets Class E	454,178	-	-	-	454,178
Investment Grade Bond Fund Class E	1,084,466	-	-	-	1,084,466
Strategic Bond Fund Class E	783,232	-	-	-	783,232
Short Duration Bond Class E	775,321	-	-	-	775,321
Real Estate Fund E	600,237	-	-	-	600,237
Aetos hedge funds:					
Long/Short Strategies Cayman Fund	-	-	-	637,880	637,880
Multi-Strategy Arbitrage Cayman Fund	-	-	-	584,893	584,893
Distressed Investment Strategy Cayman Fund	-	-	-	324,488	324,488
Short term fund:	96,948	-	-	-	96,948
Total investments at fair value	$ 10,667,672	$ -	$ -	$ 1,547,261	$ 12,214,933

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

Investment Assets at Fair Value as of June 30, 2016

	Level 1	Level 2	Level 3	Investment Reported at NAV*	Total
Asset Category:					
Mutual funds:					
U.S. Core Equity Fund Class E	$ 1,344,217	$ -	$ -	$ -	$ 1,344,217
Quantitative Equity Fund Class E	1,198,511	-	-	-	1,198,511
U.S. Growth Fund Class E	1,170,786	-	-	-	1,170,786
U.S. Small & Mid Cap Fund Class E	1,198,520	-	-	-	1,198,520
International Fund E	1,754,943	-	-		1,754,943
Emerging Markets Class E	492,953	-	-	-	492,953
Investment Grade Bond Fund Class E	1,087,189	-	-	-	1,087,189
Strategic Bond Fund Class E	780,466	-	-	-	780,466
Short Duration Bond Class E	765,819	-	-	-	765,819
Real Estate Fund E	605,723	-	-	-	605,723
Aetos hedge funds:					
Long/Short Strategies Cayman Fund	-	-	-	595,476	595,476
Multi-Strategy Arbitrage Cayman Fund	-	-	-	540,530	540,530
Distressed Investment Strategy Cayman Fund	-	-	-	299,121	299,121
Short term fund:	117,418	-	-	-	117,418
Total investments at fair value	$ 10,516,545	$ -	$ -	$ 1,435,127	$ 11,951,672

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

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.

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.

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:

Years ended June 30,	**2017**	2016
Benefit Obligation:		
Discount rate	**3.75%**	3.50%
Rate of compensation increase	**N/A**	N/A
Expected return on plan assets	**7.50%**	7.50%
Net Periodic Benefit Cost:		
Discount rate	**3.50%**	4.25%
Rate of compensation increase	**N/A**	N/A
Expected return on plan assets	**7.50%**	7.50%

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.

Years ended June 30,	**2017**	2016
Net periodic benefit cost	**$ 594,211**	$ 254,401
Employer contributions	**$ -**	$ 249,182
Participant contributions	**$ -**	$ -
Benefits paid	**$ 1,001,400**	$ 969,782

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

Years ending June 30,	
2018	$ 1,003,112
2019	973,765
2020	979,809
2021	984,222
2022	965,177
2023-27	4,873,048
	$ 9,779,133

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 $392,553 and $366,959 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016. Council expects to contribute $0 to its retiree medical plan in fiscal year 2017. The actuarial calculations are based on a measurement date of July 1, 2016 and 2015 for the years ended June 30, 2017 and 2016, 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:

June 30,	**2017**	2016
Accumulated benefit obligation	**$ (3,432,988)**	$ (3,278,783)
Fair value of plan assets	**-**	-
Funded status - under funded	**$ (3,432,988)**	$ (3,278,783)
Accrued benefits cost (including $74,093 and $69,558 reported as current liability for 2017 and 2016, respectively)	**$ (3,432,988)**	$ (3,278,783)

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

Years ended June 30,	**2017**	2016
Actuarial gain	**$ 4,175**	$ -

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

Years ended June 30,	**2017**	2016
Service cost	**$ 218,783**	$ 131,812
Interest cost	**108,029**	109,526
Actuarial gain	**-**	-
Net periodic postretirement benefit cost	**$ 326,812**	$ 241,338

Estimated amounts to be amortized during the following year:

Years ended June 30,	**2017**	2016
Actuarial gain	**$ -**	$ -

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

Years ended June 30,	**2017**	2016
Discount rate	**3.75%**	4.25%
Health care cost trend rate		
Medical claims	**6.50%**	6.75%
Prescription drugs	**5.00%**	5.00%

The assumed trend of prescription drug costs is expected to decrease through 2016 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:

June 30, 2017	**Assumed Trend**	**Assumed Trend +1%**	**Assumed Trend -1%**
Service and interest cost	**$ 326,812**	**$ 379,442**	**$ 277,943**
Accumulated postretirement obligation	**$ 3,432,988**	**$ 3,906,770**	**$ 3,015,579**

June 30, 2016	**Assumed Trend**	**Assumed Trend +1%**	**Assumed Trend -1%**
Service and interest cost	$ 241,338	$ 279,424	$ 208,443
Accumulated postretirement obligation	$ 3,278,783	$ 3,718,030	$ 2,897,105

Years ended June 30,	**2017**	2016
Benefit cost	**$ 316,536**	$ 196,635
Benefits paid	**$ 71,081**	$ 70,415

Estimated Future Benefit Payments

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

Years ending June 30,	
2018	$ 74,09
2019	82,23
2020	86,61
2021	89,45
2022	90,94
2023-2027	553,98
	$ 977,32

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 2020. Some leases have scheduled rental increases and some contain options to renew.

Minimum rental payments under non-cancelable operating leases are as follows:

Years ending June 30,	
2018	$ 60,05
2019	61,25
2020	62,48
2021	10,44
	$ 194,25

For the years ended June 30, 2017 and 2016 rental expense was $75,553 and $54,064, respectively.

Contingencies

At any given time, Council may be involved in various claims or administrative matters. Management believes that at June 30, 2017, 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.

Year ended June 30, 2017	National 4-H Council	National 4-H Activities Foundation	National 4-H Congress Foundation	Global Clover Network, Inc.	Total
Revenue	**$ 43,754,461**	**$ -**	**$ 430,426**	**$ -**	**$ 44,184,887**
Expenses	**44,660,293**	**-**	**519,293**	**71,352**	**45,250,938**
Decrease in net assets from operating activities	**$ (905,832)**	**$ -**	**$ (88,867)**	**$ (71,352)**	**$ (1,066,051)**

Year ended June 30, 2016	National 4-H Council	National 4-H Activities Foundation	National 4-H Congress Foundation	Global Clover Network, Inc.	Total
Revenue	$ 45,325,104	$ -	$ 511,565	$ 476,557	$ 46,313,226
Expenses	47,175,823	-	495,703	376,130	48,047,656
(Decrease) increase in net assets from operating activities	$ (1,850,719)	$ -	$ 15,862	$ 100,427	$ (1,734,430)

14. Subsequent Events

In September 2017, the Board of Trustees voted to approve a change to the fiscal year end of Council from June to February.

Council evaluated subsequent events through December 1, 2017, 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, excepted as noted above.

Schedule of Expenditures of Federal Awards

National 4-H Council and Controlled Affiliates

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Passed Through to Subrecipients*	*Total Federal Expenditures*
United States Department of Justice				
Office of Juvenile Justice and Delinquency Programs				
National Mentoring Program	16.726	N/A	**$ 7,027,541**	**$ 8,325,048**
Delinquency Programs	16.831	N/A	**-**	**18,805**
Total Department of Justice Programs			**-**	**8,343,853**
Total Expenditures of Federal Awards			**$ 7,027,541**	**$ 8,343,853**

See Notes to Schedule of Expenditures of Federal Awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Council under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of Council.

The reimbursement of indirect costs reflected in the accompanying financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to Council's financial position or change in net assets.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Council has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's
Reports Required by *Government*
Auditing Standards and the Uniform Guidance

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive, Suite 800
McLean, VA 22102

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

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 consolidated 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, 2017, 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 December 1, 2017.

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

December 1, 2017

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive, Suite 800
McLean, VA 22102

Independent Auditor's Report on Compliance For The Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the 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 Compliance Supplement* that could have a direct and material effect on Council's major federal program for the year ended June 30, 2017. Council's major federal program is 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Council's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of Council's compliance.

Opinion on the 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 the major federal program for the year ended June 30, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

December 1, 2017

National 4-H Council and Controlled Affiliates

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	______ yes	X no
• Significant deficiency(ies) identified?	______ yes	X none reported
Noncompliance material to financial statements noted?	______ yes	X no

Federal Awards

Internal control over the major federal program:		
• Material weakness(es) identified	______ yes	X no
• Significant deficiency(ies) identified?	______ yes	X none reported
Type of auditor's report issued on compliance for the major federal program:	Unmodified	
Any audit findings disclosed that are required to to be reported in accordance with 2 CFR 200.516(a)?	______ yes	X no

Identification of major federal programs:

CFDA/Contract Number	Name of Federal Program or Cluster
16.726	Office of Juvenile Justice and Delinquency Programs National Mentoring Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	______ no

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 2 CFR 200.516(a) of the Uniform Guidance that were required to be reported.