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
As of February 28, 2019 and 2018 and for the Year Ended February 28, 2019 and for the Eight Months Ended February 28, 2018

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As of February 28, 2019 and 2018 and for the Year Ended February 28, 2019 and for the Eight Months Ended February 28, 2018

National 4-H Council and Controlled Affiliates

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **National 4-H Council and Controlled Affiliates** (collectively referred to as Council), which comprise the consolidated statement of financial position as of February 28, 2019, 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 February 28, 2019, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Council's 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 Information

We have previously audited Council's 2018 consolidated financial statements, and as described in Note 1, expressed an unmodified opinion on those audited financial statements in our report dated June 26, 2018. In our opinion, the summarized information presented herein, and as described in Note 1 as of and for the eight months ended February 28, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

June 28, 2019

Consolidated Financial Statements

National 4-H Council and Controlled Affiliates

Consolidated Statements of Financial Position

As of February 28, 2019 (with summarized totals for February 28, 2018)

	Net assets without donor restrictions	Net assets with donor restrictions	2019 Total	2018 Total
Current Assets				
Cash and cash equivalents	$ 1,712,239	$ 14,550,000	$ 16,262,239	$ 12,883,100
Short-term investments	3,720,101	4,110,630	7,830,731	8,438,476
Accounts receivable, net	1,167,029	-	1,167,029	2,010,845
Contributions receivable	483,692	3,243,757	3,727,449	10,466,803
Merchandise inventories, net	2,019,951	-	2,019,951	2,031,296
Other assets	200,717	-	200,717	133,445
Total current assets	9,303,729	21,904,387	31,208,116	35,963,965
Noncurrent Assets				
Contribution receivable	85,400	6,548,100	6,633,500	2,167,866
Long-term investments	4,049,903	235,397	4,285,300	3,466,084
	4,135,303	6,783,497	10,918,800	5,633,950
Property and Equipment				
Land and buildings	30,630,880	-	30,630,880	30,157,676
Furniture and equipment	10,767,854	-	10,767,854	10,661,766
	41,398,734	-	41,398,734	40,819,442
Less accumulated depreciation and amortization	(34,984,206)	-	(34,984,206)	(33,854,420)
	6,414,528	-	6,414,528	6,965,022
Total noncurrent assets	10,549,831	6,783,497	17,333,328	12,598,972
Total assets	$ 19,853,560	$ 28,687,884	$ 48,541,444	$ 48,562,937

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Financial Position

As of February 28, 2019 (with summarized totals for February 28, 2018)

	Net assets without donor restrictions	Net assets with donor restrictions	2019 Total	2018 Total
Current Liabilities				
Accounts payable and accrued expenses	$ 4,069,050	$ -	$ 4,069,050	$ 3,939,035
Line of credit	2,000,000	-	2,000,000	3,500,000
Accrued postretirement benefit liability	82,329	-	82,329	65,817
Deferred revenue	2,951,218	-	2,951,218	3,226,683
Agency funds and other	489,947	-	489,947	755,647
Total current liabilities	9,592,544	-	9,592,544	11,487,182
Noncurrent Liabilities, net of current portion				
Accrued postretirement benefit liability	3,386,200	-	3,386,200	3,221,101
Deferred revenue	97,419	-	97,419	47,494
Unfunded pension liability	3,500,917	-	3,500,917	3,775,071
Total noncurrent liabilities	6,984,536	-	6,984,536	7,043,666
Total liabilities	16,577,080	-	16,577,080	18,530,848
Net Assets				
Undesignated	(8,550,057)	-	(8,550,057)	(9,536,431)
Plant fund	7,068,423	-	7,068,423	7,613,949
Program support	-	26,520,437	26,520,437	25,174,178
Endowment fund	1,758,114	2,167,447	3,925,561	3,780,393
Long-Term Reserve	3,000,000	-	3,000,000	3,000,000
Total net assets	3,276,480	28,687,884	31,964,364	30,032,089
Total liabilities and net assets	$ 19,853,560	$ 28,687,884	$ 48,541,444	$ 48,562,937

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Activities

For the year ended February 28, 2019 (with summarized totals for the eight months ended February 28, 2018)

	Net assets without donor restrictions	Net assets with donor restrictions	2019 Total	2018 Total
Operating				
Revenue				
Contributions received from the public	$ 3,642,116	$ 20,923,768	$ 24,565,884	$ 22,539,440
Federal grant revenue	3,456,960	-	3,456,960	4,258,320
In-kind services	13,600	-	13,600	18,303
Registration fees and tuitions	507,030	-	507,030	489,686
National 4-H Center	11,269,992	-	11,269,992	5,088,394
National 4-H Supply Service	4,855,182	-	4,855,182	3,231,989
Investment return allocated to operations	399,144	-	399,144	222,232
Other	921,068	-	921,068	630,563
Net assets released from restrictions	19,603,793	(19,603,793)	-	-
Total revenue	44,668,885	1,319,975	45,988,860	36,478,927
Expenses				
Program services				
Education programs	23,873,878	-	23,873,878	15,793,489
Other programs				
National 4-H Center	8,502,315	-	8,502,315	5,089,796
National 4-H Supply Service	4,453,063	-	4,453,063	2,883,908
Total other programs	12,955,378	-	12,955,378	7,973,704
Total program services	$ 36,829,256	$ -	$ 36,829,256	$ 23,767,193

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Activities

For the year ended February 28, 2019 (with summarized totals for the eight months ended February 28, 2018)

	Net assets without donor restrictions	Net assets with donor restrictions	2019 Total	2018 Total
Supporting services				
Management and general	$ 4,216,542	$ -	$ 4,216,542	$ 2,974,119
Fundraising	2,519,638	-	2,519,638	1,364,382
Total supporting services	6,736,180	-	6,736,180	4,338,501
Total expenses before pension costs	43,565,436	-	43,565,436	28,105,694
Change in net assets before pension cost	1,103,449	1,319,975	2,423,424	8,373,233
Pension cost - operating	413,641	-	413,641	381,323
Change in net assets from operating activities	689,808	1,319,975	2,009,783	7,991,910
Nonoperating increase (decrease)				
Contributions	22,970	28,670	51,640	57,771
Investment return, net	(227,130)	17,056	(210,074)	572,801
Named fund spending	-	-	-	(916)
Postretirement medical costs	(181,611)	-	(181,611)	146,070
Pension related changes other than net periodic pension costs	262,537	-	262,537	1,343,044
Change in net assets from nonoperating activities	(123,234)	45,726	(77,508)	2,118,770
Change in net assets	566,574	1,365,701	1,932,275	10,110,680
Net Assets, beginning of year	2,709,906	27,322,183	30,032,089	19,921,409
Net Assets, end of year	$ 3,276,480	$ 28,687,884	$ 31,964,364	$ 30,032,089

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Functional Expenses

For the year ended February 28, 2019 (with summarized totals for the eight months ended February 28, 2018)

	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	2019 Total	2018 Total
Salaries, payroll taxes and employee benefits	$ 6,197,769	$ 3,746,861	$ 1,107,960	$ 11,052,590	$ 2,887,734	$ 1,898,115	$ 4,785,849	$ 15,838,439	$ 9,838,497
Organizational training	9,714	4,515	-	14,229	11,693	14,207	25,900	40,129	29,426
Awards, scholarships and grants	11,073,253	-	-	11,073,253	-	5,000	5,000	11,078,253	8,366,454
Cost of goods sold	-	776,394	2,131,927	2,908,321	-	-	-	2,908,321	1,766,889
Staff and participant travel and meetings	1,236,115	12,499	22,145	1,270,759	196,955	128,441	325,396	1,596,155	840,342
Program/operating resources and office supplies	434,148	790,440	37,692	1,262,280	196,756	29,513	226,269	1,488,549	1,051,588
Printing and publications	13,402	15,148	53,969	82,519	30,953	1,653	32,606	115,125	66,912
Professional fees	4,340,481	896,607	163,697	5,400,785	511,444	368,672	880,116	6,280,901	3,294,355
Utilities and telephone	54,662	774,570	35,640	864,872	25,122	19,386	44,508	909,380	566,035
Postage and shipping	19,237	3,769	517,246	540,252	19,516	4,103	23,619	563,871	360,232
Insurance	1,050	99,850	-	100,900	80,757	-	80,757	181,657	133,362
Equipment maintenance & rental	-	88,669	5,020	93,689	41,560	-	41,560	135,249	79,817
Facilities rental	210,887	-	83,293	294,180	19,146	11,050	30,196	324,376	261,568
Public relations and promotion	221,662	227,391	141,309	590,362	-	22,544	22,544	612,906	322,982
In-kind services	-	-	-	-	-	13,600	13,600	13,600	18,303
Other	4,166	106,145	124,499	234,810	110,124	3,354	113,478	348,288	235,428
Depreciation and amortization	57,332	959,457	28,666	1,045,455	84,782	-	84,782	1,130,237	873,504
Total expenses before operation pension costs	23,873,878	8,502,315	4,453,063	36,829,256	4,216,542	2,519,638	6,736,180	43,565,436	28,105,694
Pension costs - operating	226,676	80,743	42,274	349,693	40,040	23,908	63,948	413,641	381,323
Total expenses after operating pension costs	$ 24,100,554	$ 8,583,058	$ 4,495,337	$ 37,178,949	$ 4,256,582	$ 2,543,546	$ 6,800,128	$ 43,979,077	$ 28,487,017

See accompanying notes to consolidated financial statements.

National 4-H Council and Controlled Affiliates

Consolidated Statements of Cash Flows

	Year Ended February 28, 2019	Eight Months Ended February 28, 2018
Cash Flows from Operating Activities		
Change in net assets	$ 1,932,275	$ 10,110,680
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,130,237	873,504
Net unrealized and realized losses on investments	1,136,268	113,218
Loss on disposal of property and equipment	6,742	-
Provision for doubtful accounts	-	(16,470)
(Increase) decrease in assets		
Accounts receivable	843,816	403,270
Contributions receivable	2,273,720	(5,022,021)
Merchandise inventories	11,345	(109,039)
Other assets	(67,272)	9,116
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	130,015	(1,438,324)
Accrued postretirement benefit liability	181,611	(146,070)
Deferred revenue	(225,540)	1,380,296
Agency funds and other	(265,700)	325,251
Unfunded pension liability	(274,154)	(1,264,413)
Net cash provided by operating activities	6,813,363	5,218,998
Cash Flows from Investing Activities		
Purchases of property and equipment	(586,485)	(184,788)
Purchases of investments	(1,422,436)	(1,025,013)
Proceeds from sales of investments	74,697	107,952
Net cash used in investing activities	(1,934,224)	(1,101,849)
Cash Flows from Financing Activities		
Borrowing from line of credit	-	1,000,000
Payments on line of credit	(1,500,000)	-
Net cash (used in) provided by financing activities	(1,500,000)	1,000,000
Increase in cash and cash equivalents	3,379,139	5,117,149
Cash and cash equivalents, beginning of period	12,883,100	7,765,951
Cash and cash equivalents, end of period	$ 16,262,239	$ 12,883,100

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Accounting Policies

Organization Purpose

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 2019 and 2018.

Principles of Consolidation

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.

Fiscal Year Change

Effective fiscal year beginning July 1, 2017, Council changed their fiscal year end from June 30 to February 28. An eight-month fiscal transition period from July 1, 2017 through February 28, 2018, preceded the start of the new fiscal year cycle.

Summarized Financial Information for 2018

The consolidated financial statements include certain prior-year summarized 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 eight months ended February 28, 2018, 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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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. Investment returns 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 2019 and 2018 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 year ended February 28, 2019 and for the eight month period ended February 28, 2018.

Merchandise Inventories

Inventory, consisting of Supply Service and Campus Shop merchandise and educational aids, is stated at the lower of cost or net realizable value. 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 support without donor restrictions 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 support with donor restrictions. 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 $211,956 and $510,982 of agency funds which are being held on behalf of others, as of February 28, 2019 and 2018, 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.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operations. Board designated net assets consist of net assets without donor restrictions designated by the Board for a specific use.

Net Assets With Donor Restrictions

Net assets with donor restrictions result from contributions and other inflows of assets, the use of which by the organization is limited by donor-imposed time or purpose restrictions that are either temporary or permanent.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and services benefited. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Council. Those expenses include depreciation and amortization, and insurance. Council allocates expenses using a salary allocation based on the proportion of compensation expense directly attributed to the program as compared to the total organization.

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 $13,600 and $18,303 for the year ended February 28, 2019 and eight months ended February 28, 2018, 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 return 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 return is recorded as nonoperating.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, provides information about liquidity and availability of resources and improves the type of information provided about expenses and investment return. Council has adopted the ASU retrospectively and adjusted the presentation of these consolidated financial statements accordingly. Other than the changes to the consolidated financial statement presentation and disclosures described above, adoption of the ASU did not have a significant impact on the consolidated financial statements. There was no effect on the change in net assets for the eight months ended February 28, 2018.

Accounting Pronouncements to be Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This update, along with ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing and ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, establishes a comprehensive revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for Council's fiscal year 2020. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of these ASUs on their consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update, along with ASU 2018-10, Codification Improvements to Topic 842: Leases, ASU 2018-11, Leases (Topic 842): Targeted Improvements and ASU 2018-20, Leases (Topic 842): Narrow-Scope Improvements for

Lessors, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial positon and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The ASU is effective for Council's fiscal year 2021. Management is currently evaluating the impact of these ASUs on their consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (*Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update applies to any employer that sponsors a defined benefit pension plan, other postretirement benefit plan, or other types of benefits accounted for under Topic 715. The amendments in this ASU require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost, as defined in Topic 715, are required to be presented in the consolidated statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the consolidated statement of activities to present the other components of net benefit cost must be disclosed. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable. The ASU is effective for Council's fiscal year 2020. Early adoption is permitted. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* (Topic 230), which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The ASU is effective for Council's fiscal year 2020, with early adoption permitted. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (Topic 230), to address the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires that a statement of cash flows explain the change in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Thus, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU is effective for Council's fiscal year 2020. Early adoption is permitted and should be applied on a retrospective transition method to each period presented. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, Fair Value Measurement. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

2. 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 (IRC). The IRS 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 IRS 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 February 28, 2019 and the eight months ended February 28, 2018.

Activities Foundation has been granted exemption by the IRS from Federal income taxes under Section 501(c)(3) of the IRC. The IRS has also determined that Activities Foundation is not a private foundation. Activities Foundation is required to report unrelated business income to the IRS and the State of Maryland. Activities Foundation had no sources of unrelated business income for the year ended February 28, 2019 and the eight months ended February 28, 2018.

Congress Foundation has been granted exemption by the IRS from Federal income taxes under Section 501(c)(3) of the IRC. The IRS has also determined that Congress Foundation is not a private foundation. Congress Foundation is required to report unrelated business income to the IRS and the State of Maryland. Congress Foundation had no sources of unrelated business income for the year ended February 28, 2019 and the eight months ended February 28, 2018.

Global Clover Network, Inc. has been granted exemption by the IRS from Federal income taxes under Section 501(c)(3) of the IRC. The IRS 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 IRS and the State of Maryland. Global Clover Network, Inc. had no sources of unrelated business income for the year ended February 28, 2019 and the eight months ended February 28, 2018.

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 IRS 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 2016. For the year ended February 28, 2019 and the eight months ended February 28, 2018, no interest or penalties were recorded or included in the consolidated statements of activities related to uncertain tax positions.

3. 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.

4. Liquidity and Availability of Resources

Council's financial assets available within one year of the consolidated statements of financial position date for general expenditure without donor or other restrictions limiting their use are as follows:

February 28,	**2019**	2018
Cash and cash equivalents	**$ 16,262,239**	$ 12,883,100
Accounts receivable, net	**1,167,029**	2,010,845
Contributions receivable	**3,727,449**	10,466,803
Investments	**7,830,731**	8,438,476
Total financial assets available with one year	**28,987,448**	33,799,224
Less: Amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with purpose or time restrictions	**(21,904,387)**	(25,065,320)
Amounts unavailable to management without Board's approval:		
Board designated net assets	**(5,412,009)**	(5,281,315)
Total financial assets available to management for general expenditure within one year	**$ 1,671,052**	$ 3,452,589

Council structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is held in short-term investments but could be redeemed for general expenditure at any time. Short-term investment holdings, reported as cash and cash equivalents, consisted of 16,262,239 as of February 28, 2019 and $12,883,100 as of February 28, 2018.

To help manage liquidity needs Council has a line of credit in the amount of $4,980,000, which it draws upon for current operations. At February 28, 2019, $2,980,000 is available on the line of credit.

5. Accounts Receivable

Accounts receivable consist of the following at:

February 28,		**2019**		2018
Federal awards	**$**	**1,004,530**	$	1,708,912
National 4-H Center customers		**52,379**		125,858
National 4-H Supply Service customers		**57,252**		112,887
Other		**76,650**		69,188
		1,190,811		2,016,845
Less allowance for doubtful accounts		**(23,782)**		(6,000)
Accounts receivable, net	**$**	**1,167,029**	$	2,010,845

6. Contributions Receivable

Contributions receivable consist of the following unconditional promises to give at:

February 28,		**2019**		2018
Unconditional contributions receivable				
before unamortized discount	**$**	**10,360,949**	$	12,614,689
Less: unamortized discount		**-**		-
Net unconditional contributions receivable	**$**	**10,360,949**	$	12,614,689

February 28,		**2019**		2018
Amounts due in:				
Less than one year	**$**	**3,727,449**	$	10,446,803
One to five years		**6,633,500**		2,167,886
More than five years		**-**		-
		10,360,949		12,614,689
Less: Long term contributions receivable		**(6,633,500)**		(2,167,886)
Short term contributions receivable	**$**	**3,727,449**	$	10,446,803

7. Investments

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

February 28,	**2019**	2018
First Western Company		
Equity fund	**$ 1,520,077**	$ 1,525,398
Fixed income	**835,058**	786,068
International	**645,440**	704,530
Real estate equity fund	**171,516**	154,364
Cash reserves held in investments portfolio	**6,972**	12,479
Gabelli Funds		
Equity fund	**6,510,132**	6,349,655
Fixed income	**1,933,499**	1,892,748
TIAA-CREF	**91,051**	71,743
Aetos hedge funds	**402,286**	407,575
	12,116,031	11,904,560
Less short-term investments	**(7,830,731)**	(8,438,476)
Long-term investments	**$ 4,285,300**	$ 3,466,084

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.

	Year ended February 28, 2019	Eight months ended February 28, 2018
Interest and dividends	**$ 1,325,338**	$ 927,981
Realized gain	**10,523**	22,885
Unrealized loss	**(1,146,790)**	(155,833)
Total investment return	**$ 189,070**	$ 795,033

Investment management fees directly invoiced by investment consultant and fund managers for the year ended February 28, 2019 and eight months ended February 28, 2018 amounted to $24,485 and $29,775, respectively, and are recorded net of unrealized loss on investments in the accompanying consolidated statements of activities.

8. 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 net asset value per share 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 February 28, 2019 and 2018. 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 February 28, 2019					
	Level 1	**Level 2**	**Level 3**	**Investment Reported at NAV***	**Total**
Mutual funds:					
Bond – Inter-term investment	$ 2,573,238	$ -	$ -	$ -	$ 2,573,238
Stock – large cap: value	926,398	-	-	-	926,398
Stock – large cap: blend	3,612,591	-	-	-	3,612,591
Stock – international large cap: blend	645,440	-	-	-	645,440
Stock – small cap: blend	1,467,203	-	-	-	1,467,203
Stock – large cap: growth	2,115,068	-	-	-	2,115,068
Bond – short-term investment	195,319	-	-	-	195,319
Stock – real estate	171,516	-	-	-	171,516
Alternative investments:					
Aetos Long/Short Strategies Cayman Fund	-	-	-	160,371	160,371
Aetos Multi-Strategy Arbitrage Cayman Fund	-	-	-	162,365	162,365
Aetos Distressed Investments Strategy Cayman Fund	-	-	-	79,550	79,550
Cash reserves:	6,972	-	-	-	6,972
Total investments at fair value	$ 11,713,745	$ -	$ -	$ 402,286	$ 12,116,031

* 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 February 28, 2018				
	Level 1	**Level 2**	**Level 3**	**Investment Reported at NAV***	**Total**
Mutual funds:					
Bond – Inter-term investment	$ 2,488,702	$ -	$ -	$ -	$ 2,488,702
Stock – large cap: value	875,821	-	-	-	875,821
Stock – large cap: blend	3,596,940	-	-	-	3,596,940
Stock – international large cap: blend	704,530	-	-	-	704,530
Stock – small cap: blend	1,461,549	-	-	-	1,461,549
Stock – large cap: growth	2,012,486	-	-	-	2,012,486
Bond – short-term investment	190,114	-	-	-	190,114
Stock – real estate	154,364	-	-	-	154,364
Alternative investments:					
Aetos Long/Short Strategies Cayman Fund	-	-	-	187,870	187,870
Aetos Multi-Strategy Arbitrage Cayman Fund	-	-	-	149,082	149,082
Aetos Distressed Investments Strategy Cayman Fund	-	-	-	70,623	70,623
Cash reserves:	12,479	-	-	-	12,479
Total investments at fair value	$ 11,496,985	$ -	$ -	$ 407,575	$ 11,904,560

* 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 February 28, 2019 and 2018, sets forth a summary of Council's investments with a reported NAV.

Investments	2019 Fair Value	2018 Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Aetos hedge funds:					
Aetos Long/Short Strategies Cayman Fund (a)	**$ 160,371**	$ 187,870	$ -	Quarterly	90 days
Aetos Multi-Strategy Arbitrage Cayman Fund (b)	**162,365**	149,082	-	Quarterly	90 days
Aetos Distressed Investments Strategy Cayman Fund (c)	**79,550**	70,623	-	Quarterly	90 days
	$ 402,286	$ 407,575	$ -		

(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.

9. Property and Equipment

Property and equipment consists of the following at:

February 28,	**2019**	2018
Buildings	**$ 30,330,880**	$ 29,857,676
Land	**300,000**	300,000
	30,630,880	30,157,676
Furniture and equipment	**10,767,854**	10,661,766
	41,398,734	40,819,442
Less accumulated depreciation and amortization	**(34,984,206)**	(33,854,420)
Property and equipment, net	**$ 6,414,528**	$ 6,965,022

Depreciation and amortization expense for the years ended February 28, 2019 and 2018 was $1,130,237 and $873,504, respectively.

10. 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 $2,000,000 and $3,500,000 at February 28, 2019 and 2018, respectively. The interest rate at February 28, 2019 and 2018 was 3.8125% and 2.875%, respectively.

11. 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:

February 28,	**2019**	2018
National 4-H Center registration and housing fees paid in advance	**$ 2,258,867**	$ 2,349,999
Gala	**489,453**	633,150
Field Marketing Engagement Campaign	**276,718**	274,221
Supply	**23,599**	16,807
	3,048,637	3,274,177
Less short-term portion	**(2,951,218)**	(3,226,683)
Long-term deferred revenue	**$ 97,419**	$ 47,494

12. Net Assets with Donor Restrictions

Net assets that are perpetual in nature consist of cash and investments and are subject to donor-imposed stipulations that they be retained and invested permanently by Council. The donors require Council to use all or part of the investment return on these net assets for specified or unspecified purposes.

Net assets that are restricted by purpose or time consist of cash, investments and pledges receivable and subject to donor-imposed stipulations at February 28, 2019 and 2018.

Net asset balances with donor restrictions held for the following purposes were:

February 28,	**2019**	2018
Subject to Council's endowment spending policy and appropriation:		
Investment in perpetuity - Endowment	**$ 235,397**	$ 235,397
Subject to expenditures for specific purposes:		
Education program activities	**26,520,437**	25,174,178
Endowment	**1,932,050**	1,912,608
	28,452,487	27,086,786
	$ 28,687,884	$ 27,322,183

During the year ended February 28, 2019 and the eight month period ended February 28, 2018, 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:

	Year ended February 28,2019	Eight months ended February 28, 2018
Purpose restrictions:		
Education program activities	**$ 19,603,793**	$ 10,598,548

13. Endowment

Council's endowment consists of individual funds established for a variety of purposes as discussed in note 12. Council's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. 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.

Endowment Net Asset Composition

The following table represents the composition of Council's endowment by net asset class at February 28, 2019:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	**Total**
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	**$ -**	**$ 235,397**	**$ 235,397**
Accumulated investment gains	**-**	**1,932,050**	**1,932,050**
Board-designated endowment Funds	**5,412,009**	**-**	**5,412,009**
Total	**$ 5,412,009**	**$ 2,167,447**	**$ 7,579,456**

The following table represents the composition of Council's endowment by net asset class at February 28, 2018:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	$ -	$ 235,397	$ 235,397
Accumulated investment gains	-	1,912,608	1,912,608
Board-designated endowment Funds	5,281,315	-	5,281,315
Total	$ 5,281,315	$ 2,148,005	$ 7,429,320

Changes in Endowment Net Assets

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

February 28, 2019:	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	**Total**
Endowment net assets, beginning of the year	**$ 5,281,315**	**$ 2,148,005**	**$ 7,429,320**
Investment return, net	**107,724**	**17,056**	**124,780**
Contributions	**22,970**	**28,670**	**51,640**
Amounts appropriated for expenses	**-**	**(26,284)**	**(26,284)**
Endowment net assets, end of the year	**$ 5,412,009**	**$ 2,167,447**	**$ 7,579,456**

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

February 28, 2018:	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	**Total**
Endowment net assets, beginning of the period	$ 4,644,223	$ 2,018,235	$ 6,662,458
Investment return, net	610,706	114,777	725,483
Contributions	26,386	31,385	57,771
Amounts appropriated for expenses	-	(16,392)	(16,392)
Endowment net assets, end of the period	$ 5,281,315	$ 2,148,005	$ 7,429,320

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 February 28, 2019 and 2018.

14. 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 February 28, 2019 and 2018. There were no minimum contributions required for the year ended February 28, 2019 and the eight months ended February 28, 2018, to satisfy the Retirement Plan's funding requirements for the year per the actuarial computation. Council contributed $425,258 and $302,692 and for the year ended February 28, 2019 and the eight months ended 2018, respectively, and is required to contribute $457,937 during the 2020 fiscal year.

The following is a summary of the funded status of the Retirement Plan as of February 28, 2019 and 2018 and the key assumptions used by the Retirement Plan's actuary. These calculations are performed based on a measurement date of March 1, 2018 and July 1, 2017 for the year ended February 28, 2019 and the eight months ended February 28, 2018, respectively.

Change in Benefit Obligation

February 28,	**2019**	2018
Benefit obligation, beginning of year/eight months	**$ (16,514,745)**	$ (17,384,138)
Interest cost	**(640,780)**	(422,086)
Actuarial loss	**688,293**	632,981
Benefits paid	**1,015,051**	658,498
Benefit obligation, end of year/eight months	**$ (15,452,181)**	$ (16,514,745)

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:

February 28,	**2019**	2018
Accumulated benefit obligation	**$ (15,452,181)**	$ (16,514,745)
Projected benefit obligation	**$ (15,452,181)**	$ (16,514,745)
Fair value of plan assets	**11,951,264**	12,739,674
Funded status - under funded	**$ (3,500,917)**	$ (3,775,071)
Unfunded pension liability	**$ (3,500,917)**	$ (3,775,071)

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

	Year ended February 28, 2019	Eight months ended February 28, 2018
Actuarial loss	**$ 6,915,481**	$ 7,178,018
Total	**$ 6,915,481**	$ 7,178,018

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

	Year ended February 28, 2019	Eight months ended February 28, 2018
Interest cost	$ 640,780	$ 422,086
Expected return on plan assets	(926,701)	(592,198)
Amortization of prior service cost	-	-
Amortization of prior losses	699,562	551,435
Net periodic benefit cost	$ 413,641	$ 381,323

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

	Year ended February 28, 2019	Eight months ended February 28, 2018
Amount reclassified to net periodic benefit cost	$ (699,562)	$ (551,435)
Amount arising during the period	962,099	1,894,479
Total	$ 262,537	$ 1,343,044

The estimated amount of actuarial loss for the year ended February 28, 2019 and to be amortized during the following year is ($1,125,318).

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

February 28,	2019		2018	
Mutual funds - Equity	$ 4,684,166	39%	$ 5,151,921	40%
Mutual funds - Fixed income	2,507,773	21%	2,623,869	21%
Mutual funds - International equity	2,127,226	18%	2,435,889	19%
Aetos hedge funds	1,593,146	13%	1,610,052	13%
Real estate equity fund	549,852	5%	577,595	5%
Group annuity contract	122,726	1%	127,348	1%
Short-term fund	366,375	3%	213,000	1%
Total plan assets	$ 11,951,264	100%	$ 12,739,674	100%

The plan also follows ASC 820 (see Note 8). Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at February 28, 2019 and 2018.

Short term fund

Investments in the short term funds represents cash and cash equivalents held as part of the pension assets.

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 February 28, 2019 and 2018. 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 February 28, 2019				
	Level 1	**Level 2**	**Level 3**	**Investments Reported at NAV***	**Total**
Asset Category:					
Mutual funds:					
U.S. Core Equity Fund Class E	$ 1,803,063	$ -	$ -	$ -	$ 1,803,063
Quantitative Equity Fund Class E	892,257	-	-	-	892,257
U.S. Growth Fund Class E	887,503	-	-	-	887,503
U.S. Small & Mid Cap Fund Class E	1,101,343	-	-	-	1,101,343
International Fund E	1,719,246	-	-	-	1,719,246
Emerging Markets Class E	407,980	-	-	-	407,980
Investment Grade Bond Fund Class E	1,097,256	-	-	-	1,097,256
Strategic Bond Fund Class E	613,356	-	-	-	613,356
Short Duration Bond Class E	797,161	-	-	-	797,161
Real Estate Fund E	549,852	-	-	-	549,852
Aetos hedge funds:					
Long/Short Strategies Cayman Fund	-	-	-	652,711	652,711
Multi-Strategy Arbitrage Cayman Fund	-	-	-	608,807	608,807
Distressed Investment Strategy Cayman Fund	-	-	-	331,628	331,628
Short term fund:	366,375	-	-	-	366,375
Total investments at fair value	$ 10,235,392	$ -	$ -	$ 1,593,146	$ 11,828,538

* 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 February 28, 2018				
	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
Asset Category:					
Mutual funds:					
U.S. Core Equity Fund Class E	$ 1,763,415	$ -	$ -	$ -	$ 1,763,415
Quantitative Equity Fund Class E	1,087,381	-	-	-	1,087,381
U.S. Growth Fund Class E	1,088,623	-	-	-	1,088,623
U.S. Small & Mid Cap Fund Class E	1,212,501	-	-	-	1,212,501
International Fund E	1,934,884	-	-	-	1,934,884
Emerging Markets Class E	501,005	-	-	-	501,005
Investment Grade Bond Fund Class E	1,071,239	-	-	-	1,071,239
Strategic Bond Fund Class E	776,714	-	-	-	776,714
Short Duration Bond Class E	775,917	-	-	-	775,917
Real Estate Fund E	577,595	-	-	-	577,595
Aetos hedge funds:					
Long/Short Strategies Cayman Fund	-	-	-	668,918	668,918
Multi-Strategy Arbitrage Cayman Fund	-	-	-	607,897	607,897
Distressed Investment Strategy Cayman Fund	-	-	-	333,237	333,237
Short term fund:	213,000	-	-	-	213,000
Total investments at fair value	$ 11,002,274	$ -	$ -	$ 1,610,052	$ 12,612,326

* 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 8 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:

	Year ended February 28, 2019	Eight months ended February 28, 2018
Benefit Obligation:		
Discount rate	**4.25%**	4.00%
Rate of compensation increase	**N/A**	N/A
Expected return on plan assets	**7.50%**	7.50%
Net Periodic Benefit Cost:		
Discount rate	**4.00%**	3.75%
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.

		Year ended February 28, 2019		Eight months ended February 28, 2018
Net periodic benefit cost	$	**413,641**	$	381,323
Employer contributions	$	-	$	-
Participant contributions	$	-	$	-
Benefits paid	$	**1,015,051**	$	658,498

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

Years ending February 28,	
2020	$ 1,049,216
2021	1,018,634
2022	1,022,155
2023	1,013,317
2024	1,004,132
2025-2029	4,826,585
	$ 9,934,039

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 IRC. 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 $399,580 and $250,181 and for the year ended February 28, 2019 and eight months ended February 28, 2018, 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 year ended February 28, 2019 and the eight months ended February 28, 2018. Council expects to contribute $0 to its retiree medical plan in fiscal year 2020. The actuarial calculations are based on a measurement date of March 1, 2018 and July 1, 2017 for the year ended February 28, 2019 and the eight months ended February 28, 2018, 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:

February 28,	**2019**	2018
Accumulated benefit obligation	**$ (3,468,529)**	$ (3,286,918)
Fair value of plan assets	**-**	-
Funded status - under funded	**$ (3,468,529)**	$ (3,286,918)
Accrued benefits cost (including $ 82,329 and $65,817 and reported as current liability for 2019 and 2018, respectively)	**$ (3,468,529)**	$ (3,286,918)

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

February 28,	**2019**	2018
Actuarial gain	**$ 29,495**	$ 26,506

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

	Year ended February 28, 2019	Eight months ended February 28, 2018
Service cost	**$ 212,186**	$ 137,756
Interest cost	**132,796**	77,216
Actuarial gain	**(20,018)**	-
Net periodic postretirement benefit cost	**$ 324,964**	$ 214,972

Estimated amounts to be amortized during the following year:

	Year ended February 28, 2019	Eight months ended February 28, 2018
Actuarial gain	$ -	$ -

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

	Year ended February 28, 2019	Eight months ended February 28, 2018
Discount rate	**4.25%**	4.00%
Health care cost trend rate		
Medical claims	**6.00%**	6.25%
Prescription drugs	**5.00%**	5.00%

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:

February 28, 2019	Assumed Trend	Assumed Trend +1%	Assumed Trend -1%
Service and interest cost	**$ 344,982**	**$ 401,019**	**$ 299,413**
Accumulated postretirement obligation	**$ 3,468,529**	**$ 4,101,422**	**$ 2,937,216**

February 28, 2018	Assumed Trend	Assumed Trend +1%	Assumed Trend -1%
Service and interest cost	$ 214,972	$ 249,368	$ 188,473
Accumulated postretirement obligation	$ 3,286,918	$ 3,747,986	$ 2,888,461

	Year ended February 28, 2019	Eight months ended February 28, 2018
Benefit cost	**$ 324,964**	$ 196,095
Benefits paid	**$ 77,751**	$ 47,614

Estimated Future Benefit Payments

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

Years ending February 28,	
2020	$ 82,329
2021	84,650
2022	90,593
2023	98,038
2024	104,537
2025-2029	596,975
	$ 1,057,122

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.

15. 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:

Year ending February 28,	
2020	$ 62,075
2021	31,344
	$ 93,419

For the year ended February 28, 2019 and the eight months ended February 28, 2018, rental expense was $83,293 and $57,500, respectively.

Contingencies

At any given time, Council may be involved in various claims or administrative matters. Management believes that at February 28, 2019, any liability that results from resolving these matters will not materially impact Council's consolidated financial position.

16. Consolidated Financial Information

The following chart of operating revenue without donor restrictions, operating expenses and change in net assets from operating activities without donor restrictions is presented for purposes of additional analysis of the consolidated financial statements.

Year ended February 28, 2019	National 4-H Council	National 4-H Activities Foundation	National 4-H Congress Foundation	Global Clover Network, Inc.	Total
Revenue	$ 44,143,092	$ -	$ 525,793	$ -	$ 44,668,885
Expenses	43,497,422	1,246	479,409	1,000	43,979,077
Increase (decrease) in net assets from operating activities	$ 645,670	$ (1,246)	$ 46,384	$ (1,000)	$ 689,808

For the eight months ended February 28, 2018	National 4-H Council	National 4-H Activities Foundation	National 4-H Congress Foundation	Global Clover Network, Inc.	Total
Revenue	$ 25,820,074	$ -	$ 489,133	$ 2,276	$ 26,311,483
Expenses	28,041,881	-	440,678	4,458	28,487,017
(Decrease) increase in net assets from operating activities	$ (2,221,807)	$ -	$ 48,455	$ (2,182)	$ (2,175,534)

17. Subsequent Events

Council evaluated subsequent events through June 28, 2019, which is the date the consolidated financial statements were available to be issued. There were no events that required adjustments to or disclosure in the consolidated financial statements.

Schedule of Expenditures of Federal Awards

National 4-H Council and Controlled Affiliates

Schedule of Expenditures of Federal Awards

Year Ended February 28, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
United States Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Juvenile Mentoring Program – 4-H National Mentoring Program	16.726	N/A	$ 2,898,291	$ 3,419,115
Children of Incarcerated Parents – Strengthening Families through 4-H Life	16.831	N/A	19,503	33,255
Total Department of Justice Programs			2,917,794	3,452,370
Research and Development - Cluster Pass-through Program:				
National Science Foundation				
University of Nebraska-Lincoln				
Broadening Participation for Computing	47.070	25-6329-0148-003	-	4,590
Total Research and Development Cluster			-	4,590
Total Expenditures of Federal Awards			$ 2,917,794	$ 3,456,960

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 February 28, 2019. 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.

2. Indirect Cost Rate

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

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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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 February 28, 2019, 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 June 28, 2019.

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 a 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

June 28, 2019

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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 February 28, 2019. 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 February 28, 2019.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement 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

June 28, 2019

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 U.S. 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 program:

CFDA/Contract Number	Name of Federal Program or Cluster
16.726	Office of Juvenile Justice and Delinquency Prevention Juvenile Mentoring Program-4-H 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.