



## National 4-H Council and Controlled Affiliates

Consolidated Financial Statements,  
Schedule of Expenditures of Federal  
Awards, and Independent Auditor's Reports  
Required by *Government Auditing Standards*  
and the Uniform Guidance  
Years Ended June 30, 2016 and 2015

## National 4-H Council and Controlled Affiliates

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# National 4-H Council and Controlled Affiliates

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National 4-H Council and Controlled Affiliates (collectively referred to as Council), which comprise the consolidated statement of financial position as of June 30, 2016, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National 4-H Council and Controlled Affiliates as of June 30, 2016, 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 October 28, 2016 on our consideration of Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council's internal control over financial reporting and compliance.

#### *Report on Summarized Comparative Information*

We have previously audited Council's 2015 consolidated financial statements, and our report dated December 23, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

October 28, 2016

**Consolidated  
Financial Statements**

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## National 4-H Council and Controlled Affiliates

### Consolidated Statements of Financial Position

*As of June 30, 2016 (with comparative totals for June 30, 2015)*

	Unrestricted			Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
	General	Board Designated	Total Unrestricted				
<b>Current Assets</b>							
Cash and cash equivalents	\$ 380,243	\$ -	\$ 380,243	\$ 5,368,073	\$ -	\$ 5,748,316	\$ 8,657,909
Short-term investments	1,867,927	551,713	2,419,640	3,733,677	-	6,153,317	6,442,763
Accounts receivable, net	3,570,252	-	3,570,252	-	-	3,570,252	1,721,513
Contributions receivable	474,327	-	474,327	6,493,541	-	6,967,868	6,283,518
Merchandise inventories, net	1,966,871	-	1,966,871	-	-	1,966,871	1,596,178
Other assets	136,499	-	136,499	-	-	136,499	255,855
<b>Total current assets</b>	<b>8,396,119</b>	<b>551,713</b>	<b>8,947,832</b>	<b>15,595,291</b>	<b>-</b>	<b>24,543,123</b>	<b>24,957,736</b>
<b>Noncurrent Assets, net of current portion</b>							
Contributions receivable	-	-	-	2,450,625	-	2,450,625	1,710,000
Long-term investments	239,215	3,408,425	3,647,640	-	235,397	3,883,037	3,784,282
	239,215	3,408,425	3,647,640	2,450,625	235,397	6,333,662	5,494,282
<b>Property and Equipment</b>							
Land and buildings	29,100,272	-	29,100,272	-	-	29,100,272	28,352,850
Furniture and equipment	10,607,874	-	10,607,874	-	-	10,607,874	10,091,180
	39,708,146	-	39,708,146	-	-	39,708,146	38,444,030
Less accumulated depreciation and amortization	(31,484,588)	-	(31,484,588)	-	-	(31,484,588)	(30,001,209)
	8,223,558	-	8,223,558	-	-	8,223,558	8,442,821
<b>Total noncurrent assets</b>	<b>8,462,773</b>	<b>3,408,425</b>	<b>11,871,198</b>	<b>2,450,625</b>	<b>235,397</b>	<b>14,557,220</b>	<b>13,937,103</b>
<b>Total assets</b>	<b>\$ 16,858,892</b>	<b>\$ 3,960,138</b>	<b>\$ 20,819,030</b>	<b>\$ 18,045,916</b>	<b>\$ 235,397</b>	<b>\$ 39,100,343</b>	<b>\$ 38,894,839</b>

*See accompanying notes to consolidated financial statements.*

## National 4-H Council and Controlled Affiliates

### Consolidated Statements of Financial Position

*As of June 30, 2016 (with comparative totals for June 30, 2015)*

	Unrestricted			Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
	General	Board Designated	Total Unrestricted				
<b>Current Liabilities</b>							
Accounts payable and accrued expenses	\$ 6,279,363	\$ -	\$ 6,279,363	\$ -	\$ -	\$ 6,279,363	\$ 4,810,146
Accrued postretirement benefit liability	69,558	-	69,558	-	-	69,558	68,649
Deferred revenue	2,425,153	-	2,425,153	-	-	2,425,153	1,275,209
Agency funds and other	643,290	-	643,290	-	-	643,290	1,484,846
<b>Total current liabilities</b>	<b>9,417,364</b>	<b>-</b>	<b>9,417,364</b>	<b>-</b>	<b>-</b>	<b>9,417,364</b>	<b>7,638,850</b>
<b>Noncurrent Liabilities, net of current portion</b>							
Accrued postretirement benefit liability	3,209,225	-	3,209,225	-	-	3,209,225	2,791,418
Deferred revenue	43,685	-	43,685	-	-	43,685	29,466
Other	-	-	-	-	-	-	86,464
Unfunded pension liability	5,761,070	-	5,761,070	-	-	5,761,070	2,909,535
<b>Total noncurrent liabilities</b>	<b>9,013,980</b>	<b>-</b>	<b>9,013,980</b>	<b>-</b>	<b>-</b>	<b>9,013,980</b>	<b>5,816,883</b>
<b>Total liabilities</b>	<b>18,431,344</b>	<b>-</b>	<b>18,431,344</b>	<b>-</b>	<b>-</b>	<b>18,431,344</b>	<b>13,455,733</b>
<b>Net Assets</b>							
Undesignated	(9,796,010)	-	(9,796,010)	-	-	(9,796,010)	(4,696,980)
Plant fund	8,223,558	551,713	8,775,271	-	-	8,775,271	8,995,342
Program support	-	-	-	16,269,811	-	16,269,811	15,563,663
Endowment fund	-	408,425	408,425	1,776,105	235,397	2,419,927	2,577,081
Long-term reserve	-	3,000,000	3,000,000	-	-	3,000,000	3,000,000
<b>Total net assets</b>	<b>(1,572,452)</b>	<b>3,960,138</b>	<b>2,387,686</b>	<b>18,045,916</b>	<b>235,397</b>	<b>20,668,999</b>	<b>25,439,106</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,858,892</b>	<b>\$ 3,960,138</b>	<b>\$ 20,819,030</b>	<b>\$ 18,045,916</b>	<b>\$ 235,397</b>	<b>\$ 39,100,343</b>	<b>\$ 38,894,839</b>

*See accompanying notes to consolidated financial statements.*

## National 4-H Council and Controlled Affiliates

### Consolidated Statements of Activities

*For the year ended June 30, 2016 (with comparative totals for June 30, 2015)*

	Unrestricted			Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
	General	Board Designated	Total Unrestricted				
<b>Operating Revenue</b>							
Contributions received from the public	\$ 2,156,232	\$ -	\$ 2,156,232	\$ 15,470,395	\$ -	\$ 17,626,627	\$ 24,046,501
Federal grant revenue	10,650,307	-	10,650,307	-	-	10,650,307	6,790,093
In-kind services	1,496,998	-	1,496,998	-	-	1,496,998	222,624
Registration fees and tuitions	568,343	-	568,343	-	-	568,343	419,549
National 4-H Youth Conference Center	10,796,174	-	10,796,174	-	-	10,796,174	10,348,562
National 4-H Supply Service	5,079,804	-	5,079,804	-	-	5,079,804	4,705,234
Investment return allocated to operations	500,004	-	500,004	-	-	500,004	684,996
Other	52,470	-	52,470	-	-	52,470	728,198
Net assets released from restrictions	15,012,894	-	15,012,894	(15,012,894)	-	-	-
<b>Total revenue</b>	<b>46,313,226</b>	<b>-</b>	<b>46,313,226</b>	<b>457,501</b>	<b>-</b>	<b>46,770,727</b>	<b>47,945,757</b>
<b>Expenses</b>							
<b>Program services</b>							
Education programs	29,564,585	-	29,564,585	-	-	29,564,585	24,191,307
<b>Other programs</b>							
National 4-H Youth Conference Center	8,429,858	-	\$ 8,429,858	-	-	8,429,858	8,201,027
National 4-H Supply Service	3,951,083	-	3,951,083	-	-	3,951,083	3,807,661
<b>Total other programs</b>	<b>12,380,941</b>	<b>-</b>	<b>12,380,941</b>	<b>-</b>	<b>-</b>	<b>12,380,941</b>	<b>12,008,688</b>
<b>Total program services</b>	<b>\$ 41,945,526</b>	<b>\$ -</b>	<b>\$ 41,945,526</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,945,526</b>	<b>\$ 36,199,995</b>

*See accompanying notes to consolidated financial statements.*

## National 4-H Council and Controlled Affiliates

### Consolidated Statements of Activities

*For the year ended June 30, 2016 (with comparative totals for June 30, 2015)*

	Unrestricted			Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
	General	Board Designated	Total Unrestricted				
<b>Supporting services</b>							
Management and general	\$ 2,705,788	\$ -	\$ 2,705,788	\$ -	\$ -	\$ 2,705,788	\$ 3,307,469
Fundraising	3,141,941	-	3,141,941	-	-	3,141,941	2,921,037
<b>Total supporting services</b>	<b>5,847,729</b>	<b>-</b>	<b>5,847,729</b>	<b>-</b>	<b>-</b>	<b>5,847,729</b>	<b>6,228,506</b>
<b>Total expenses before pension costs</b>	<b>47,793,255</b>	<b>-</b>	<b>47,793,255</b>	<b>-</b>	<b>-</b>	<b>47,793,255</b>	<b>42,428,501</b>
<b>Change in net assets before pension costs</b>	<b>(1,480,029)</b>	<b>-</b>	<b>(1,480,029)</b>	<b>457,501</b>	<b>-</b>	<b>(1,022,528)</b>	<b>5,517,256</b>
<b>Pension costs - operating</b>	<b>254,401</b>	<b>-</b>	<b>254,401</b>	<b>-</b>	<b>-</b>	<b>254,401</b>	<b>164,905</b>
<b>Change in net assets from operating activities</b>	<b>(1,734,430)</b>	<b>-</b>	<b>(1,734,430)</b>	<b>457,501</b>	<b>-</b>	<b>(1,276,929)</b>	<b>5,352,351</b>
<b><u>Nonoperating increase (decrease)</u></b>							
Contributions	-	130	130	151,930	-	152,060	53,806
Investment return, net	221,371	252,622	473,993	79,940	-	553,933	1,269,299
Unrealized loss on investments	(187,580)	(256,056)	(443,636)	(81,060)	-	(524,696)	(1,118,863)
Investment spending allocation	(500,004)	-	(500,004)	-	-	(500,004)	(684,996)
Named fund spending	-	(51,500)	(51,500)	(5,321)	-	(56,821)	(5,321)
Postretirement medical costs	(418,716)	-	(418,716)	-	-	(418,716)	(77,131)
Pension related changes other than net periodic pension costs	(2,698,934)	-	(2,698,934)	-	-	(2,698,934)	(498,447)
<b>Change in net assets from nonoperating activities</b>	<b>(3,583,863)</b>	<b>(54,804)</b>	<b>(3,638,667)</b>	<b>145,489</b>	<b>-</b>	<b>(3,493,178)</b>	<b>(1,061,653)</b>
<b>Change in net assets</b>	<b>(5,318,293)</b>	<b>(54,804)</b>	<b>(5,373,097)</b>	<b>602,990</b>	<b>-</b>	<b>(4,770,107)</b>	<b>4,290,698</b>
<b>Net assets, beginning of year</b>	<b>3,745,841</b>	<b>4,014,942</b>	<b>7,760,783</b>	<b>17,442,926</b>	<b>235,397</b>	<b>25,439,106</b>	<b>21,148,408</b>
<b>Net assets, end of year</b>	<b>\$ (1,572,452)</b>	<b>\$ 3,960,138</b>	<b>\$ 2,387,686</b>	<b>\$ 18,045,916</b>	<b>\$ 235,397</b>	<b>\$ 20,668,999</b>	<b>\$ 25,439,106</b>

*See accompanying notes to consolidated financial statements.*

## National 4-H Council and Controlled Affiliates

### Consolidated Statements of Functional Expenses

*For the year ended June 30, 2016 (with comparative totals for June 30, 2015)*

	Program Services				Supporting Services			2016 Total	2015 Total
	Education Programs	National 4-H Youth Conference Center	National 4-H Supply Service	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries, payroll taxes and employee benefits	\$ 6,798,198	\$ 4,018,452	\$ 1,114,377	\$ 11,931,027	\$ 1,728,578	\$ 1,342,128	\$ 3,070,706	\$ 15,001,733	\$ 15,405,914
Organizational training	19,567	22,723	4,090	46,380	8,176	2,113	10,289	56,669	44,047
Awards, scholarships and grants	15,537,417	-	-	15,537,417	-	1,250	1,250	15,538,667	10,991,923
Cost of goods sold	64	723,099	1,925,069	2,648,232	-	-	-	2,648,232	2,607,256
Staff and participant travel and meetings	1,025,909	3,977	20,176	1,050,062	68,644	119,218	187,862	1,237,924	1,245,775
Program/operating resources and office supplies	500,075	785,772	35,952	1,321,799	127,264	63,487	190,751	1,512,550	1,422,186
Printing and publications	69,474	12,688	37,133	119,295	21,196	1,615	22,811	142,106	156,035
Professional fees	3,534,531	696,702	164,020	4,395,253	364,335	952,527	1,316,862	5,712,115	5,883,019
Utilities and telephone	93,348	683,839	38,053	815,240	16,909	21,820	38,729	853,969	927,523
Postage and shipping	32,862	4,186	429,252	466,300	3,323	4,729	8,052	474,352	468,364
Insurance	43,357	98,375	-	141,732	42,399	-	42,399	184,131	169,607
Equipment maintenance & rental	70,819	58,785	863	130,467	70,905	-	70,905	201,372	180,231
Facilities rental	219,920	-	67,868	287,788	8,149	12,985	21,134	308,922	332,145
Public relations and promotion	381,715	229,856	36,970	648,541	45	18,587	18,632	667,173	671,539
In-kind services	927,780	1,325	-	929,105	62,988	504,905	567,893	1,496,998	222,624
Other	20,421	130,363	77,260	228,044	20,185	12,713	32,898	260,942	286,602
Depreciation and amortization	289,128	959,716	-	1,248,844	162,692	83,864	246,556	1,495,400	1,413,711
<b>Total expenses before operating pension costs</b>	<b>29,564,585</b>	<b>8,429,858</b>	<b>3,951,083</b>	<b>41,945,526</b>	<b>2,705,788</b>	<b>3,141,941</b>	<b>5,847,729</b>	<b>47,793,255</b>	<b>42,428,501</b>
Pension costs - operating	143,078	44,872	21,031	208,981	28,696	16,724	45,420	254,401	164,905
<b>Total expenses after operating pension costs</b>	<b>\$ 29,707,663</b>	<b>\$ 8,474,730</b>	<b>\$ 3,972,114</b>	<b>\$ 42,154,507</b>	<b>\$ 2,734,484</b>	<b>\$ 3,158,665</b>	<b>\$ 5,893,149</b>	<b>\$ 48,047,656</b>	<b>\$ 42,593,406</b>

*See accompanying notes to consolidated financial statements.*

# National 4-H Council and Controlled Affiliates

## Consolidated Statements of Cash Flows

<i>Years ended June 30,</i>	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (4,770,107)	\$ 4,290,698
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation and amortization	1,495,400	1,413,711
Net unrealized and realized losses on investments	524,164	187,385
Loss on disposal of assets	4,808	-
<b>(Increase) decrease in assets</b>		
Accounts receivable	(1,848,739)	196,358
Contributions receivable	(1,424,975)	(4,906,504)
Merchandise inventories	(370,693)	(100,631)
Other assets	119,356	(129,195)
<b>Increase (decrease) in liabilities</b>		
Accounts payable and accrued expenses	1,469,217	571,200
Accrued postretirement benefit liability	418,716	77,131
Deferred revenue	1,164,163	174,124
Agency funds and other	(928,019)	719,093
Unfunded pension liability	2,851,535	(76,176)
<b>Net cash (used in) provided by operating activities</b>	<b>(1,295,174)</b>	<b>2,417,194</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(1,280,945)	(894,448)
Purchases of investments	(539,327)	(1,599,992)
Proceeds from sales of investments	205,853	5,936,407
<b>Net cash (used in) provided by investing activities</b>	<b>(1,614,419)</b>	<b>3,441,967</b>
<b>Cash Flows from Financing Activities</b>		
Borrowing from line of credit	1,500,000	2,975,000
Payments on line of credit	(1,500,000)	(3,650,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(675,000)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(2,909,593)</b>	<b>5,184,161</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>8,657,909</b>	<b>3,473,748</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,748,316</b>	<b>\$ 8,657,909</b>

*See accompanying notes to consolidated financial statements.*

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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### Summary of Accounting Policies

#### Organization Purpose and Consolidation Policy

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

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

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

Global Clover Network, Inc. (formerly National 4-H Foundation for Innovation, Inc.) is an Ohio not-for-profit corporation that is a 501(c)(3) controlled affiliate of National 4-H Council. 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 entity in 2015 and 2016.

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

#### Summarized Financial Information for 2015

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class in the consolidated statements of activities and by expense detail in the consolidated statements of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Council's consolidated financial statements for the year ended June 30, 2015, 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.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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### Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements include the retirement plan obligation and the postretirement plan obligation. Actual results could differ from those estimates.

### Cash and Cash Equivalents

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

### Investments

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

### Financial Instruments and Credit Risk

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

### Accounts Receivable

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

### Contributions Receivable

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The discount computed for 2016 and 2015 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

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give for the years ended June 30, 2016 and 2015.

### Merchandise Inventories

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

### Property and Equipment

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

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

### Impairment of Long-Lived Assets

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

### Deferred Revenue

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

### Agency Funds

Council holds certain funds on behalf of others for which it acts in an administrative capacity. These agency funds are included as liabilities and related assets in the form of short-term investments in the accompanying consolidated statements of financial position. Short-term investments include approximately \$396,000 and \$511,000 of agency funds which are being held on behalf of others, for the years ended June 30, 2016 and 2015, respectively. The activities involved in spending these funds are not included as revenue or expense in Council's consolidated statements of activities, as they are not expended on behalf of Council.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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### Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

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

### Temporarily Restricted Net Assets

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

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

### Permanently Restricted Net Assets

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

### Revenue Recognition

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

### Functional Allocation of Expenses

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

### In-Kind Services

A substantial number of individual volunteers have donated significant amounts of time to Council's program services and to its fundraising campaigns. No amounts have been recognized in the consolidated statements of activities since these jobs done by Council volunteers do not fall into the criteria established by the FASB in this area. Services and assets donated by organizations are recorded at fair value at the date of donation. Council records donated services, including advertising, consulting, and printing services, and donated assets at the respective fair value of the services and assets received. The amount of donated services and assets recorded as revenue and expense was \$1,496,998 and \$222,624 for the years ended June 30, 2016 and 2015, respectively.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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### Measure of Operations

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

### Recently Adopted Authoritative Guidance

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value (NAV) per share practical expedient under ASC 820. ASU 2015-07 is effective for fiscal year-ends beginning after December 15, 2016 with early adoption permitted. Council elected to early adopt this new guidance and the updated disclosures are included in the accompanying financial statement disclosures (See Note 3). The adoption of this guidance had no impact on Council's consolidated financial statements, other than as described in Note 3.

### Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. 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. FASB issued ASU 2015-14 that deferred the effective date for Council until annual periods beginning after December 15, 2018. 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 this ASU on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. The update also provides related disclosures. The guidance is effective for annual periods ending after December 15, 2016. Presently Council does not anticipate that the adoption of this update will have a material effect on Council's consolidated financial statements.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all 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 ASU is effective for Council's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

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

### 1. Tax Status

National 4-H Council has been granted exemption by the Internal Revenue Service (IRS) from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that National 4-H Council is not a private foundation. National 4-H Council is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. National 4-H Council earns unrelated business income on facility rental and advertising. National 4-H Council incurred an immaterial amount of income tax expense for the year ended June 30, 2016 and no income tax expense for the year ended June 30, 2015.

National 4-H Activities Foundation (Activities Foundation) has been granted exemption by the Internal Revenue Service from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that Activities Foundation is not a private foundation. Activities Foundation is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. Activities Foundation had no sources of unrelated business income for the years ended June 30, 2016 and 2015.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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National 4-H Congress Foundation (Congress Foundation) has been granted exemption by the Internal Revenue Service from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that Congress Foundation is not a private foundation. Congress Foundation is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. Congress Foundation had no sources of unrelated business income for the years ended June 30, 2016 and 2015.

Global Clover Network, Inc. has been granted exemption by the Internal Revenue Service from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that Global Clover Network, Inc. is not a private foundation. Global Clover Network, Inc. is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. Global Clover Network, Inc. had no sources of unrelated business income for the years ended June 30, 2016 and 2015.

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

Council has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Council has filed Internal Revenue Service Form 990 and Form 990-T tax returns, as required, and all other applicable returns in jurisdictions where it is required. Council believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years prior to 2013. For the years ended June 30, 2016 and 2015, no interest or penalties were recorded or included in the consolidated statements of activities related to uncertain tax positions.

### 2. Concentration of Credit Risk

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

### 3. Accounts Receivable

Accounts receivable consist of the following at:

<i>June 30,</i>	2016	2015
Federal awards	\$ 2,972,225	\$ 974,430
National 4-H Youth Conference Center customers	337,744	364,050
National 4-H Supply Service customers	263,068	386,410
Other	3,215	2,623
	3,576,252	1,727,513
Less allowance for doubtful accounts	(6,000)	(6,000)
Accounts receivable, net	\$ 3,570,252	\$ 1,721,513

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

### 4. Investments

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

<i>June 30,</i>	2016	2015
First Western Company		
Equity fund	\$ 1,245,307	\$ 1,257,998
Fixed income	709,070	687,091
International	531,559	590,964
Real estate equity fund	152,775	140,528
Cash reserves held in investments portfolio	5,937	23,810
Gabelli Funds		
Equity fund	4,993,306	4,996,538
Fixed income	1,930,739	1,833,022
TIAA-CREF	104,464	323,207
Aetos hedge funds	363,197	373,887
	10,036,354	10,227,045
Less short-term investments	(6,153,317)	(6,442,763)
Long-term investments	\$ 3,883,037	\$ 3,784,282

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

Investment return, net of expenses of \$29,269 and \$15,264 for the years ended June 30, 2016 and 2015, respectively, is as follows:

<i>June 30,</i>	2016	2015
Interest and dividends	\$ 553,401	\$ 337,821
Realized gain	532	931,478
Unrealized loss	(524,696)	(1,118,863)
Total investment return	\$ 29,237	\$ 150,436

### 5. Fair Value Measurements

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

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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### *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.

Council reports certain investments 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 or 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. Due to the early adoption of FASB ASU 2015-07 during the year ended June 30, 2016 (see Note 2), Council has not categorized these investments in levels within the fair value hierarchy table.

### *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 as the practical expedient 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

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

the effects of securities lending, short sale of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, Council's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment. The financial statements of the investees are audited annually by a nationally recognized firm of independent auditors. Council does not directly invest in the underlying securities of the investment fund and due to restrictions on transferability and timing of withdrawals from the funds, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

The following tables set forth by level within the fair value hierarchy Council's investment assets at fair value as of June 30, 2016 and 2015. As required by FASB ASC 820, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

### Investment Assets at Fair Value as of June 30, 2016

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

\* 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 statements of financial position.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

### Investment Assets at Fair Value as of June 30, 2015

	Level 1	Level 2	Level 3	Investments Report at NAV*	Total
<b>Mutual funds:</b>					
Bond - Inter-term investment	\$ 2,332,089	\$ -	\$ -	\$ -	\$ 2,332,089
Stock - large cap: value	958,241	-	-	-	958,241
Stock - large cap: blend	2,995,029	-	-	-	2,995,029
Stock - international large cap: blend	590,964	-	-	-	590,964
Stock - small cap: blend	1,181,655	-	-	-	1,181,655
Stock - large cap: growth	1,442,818	-	-	-	1,442,818
Bond - short-term investment	188,024	-	-	-	188,024
Stock - real estate	140,528	-	-	-	140,528
<b>Alternative investments:</b>					
Aetos Long/Short Strategies Cayman Fund	-	-	-	170,515	170,515
Aetos Multi-Strategy Arbitrage Cayman Fund	-	-	-	137,494	137,494
Aetos Distressed Investments Strategy Cayman Fund	-	-	-	65,878	65,878
Cash reserves:	23,810	-	-	-	23,810
<b>Total investments at fair value</b>	<b>\$ 9,853,158</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 373,887</b>	<b>\$ 10,227,045</b>

\* 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 statements of financial position.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

### Net Asset Value (NAV) Per Share

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

Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
<b>Aetos hedge funds:</b>				
Aetos Long/Short Strategies Cayman Fund (a)	\$ 167,243	\$ -	Quarterly	90 days
Aetos Multi-Strategy Arbitrage Cayman Fund (b)	132,565	-	Quarterly	90 days
Aetos Distressed Investments Strategy Cayman Fund (c)	63,389	-	Quarterly	90 days
	\$ 363,197	\$ -		

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

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

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

### 6. Property and Equipment

Property and equipment consists of the following at:

<i>June 30,</i>	2016	2015
Buildings	\$ 28,800,272	\$ 28,052,850
Land	300,000	300,000
	29,100,272	28,352,850
Furniture and equipment	10,607,874	10,091,180
	39,708,146	38,444,030
Less accumulated depreciation and amortization	(31,484,588)	(30,001,209)
Property and equipment, net	\$ 8,223,558	\$ 8,442,821

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$ 1,495,400 and \$1,413,711, respectively.

### 7. Line of Credit

Council maintains a \$ 4,980,000 line of credit with BB&T Bank. Interest on the line is calculated at a variable rate of 1.25% over the LIBOR Market Index Rate. This line of credit is secured against Council's brokerage account. Council was in compliance with its debt covenants for the years ended June 30, 2016 and 2015.

Council had no outstanding amounts due on the line of credit at June 30, 2016 and 2015. The interest rate at June 30, 2016 and 2015 was 1.750% and 1.437%, respectively.

### 8. Deferred Revenue

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

<i>June 30,</i>	2016	2015
National 4-H Youth Conference Center registration and housing fees paid in advance	\$ 2,141,056	\$ 1,282,397
National 4-H Supply Service	327,782	22,278
	<u>2,468,838</u>	<u>1,304,675</u>
Less short-term portion	(2,425,153)	(1,275,209)
Long-term deferred revenue	<u>\$ 43,685</u>	<u>\$ 29,466</u>

### 9. Net Assets

Temporarily restricted net assets are restricted by donors as follows:

<i>June 30,</i>	2016	2015
Purpose restricted	\$ 2,435,244	\$ 10,296,847
Purpose and time restricted for the period after June 30, 2016 and 2015	15,610,672	7,146,079
Total temporarily restricted net assets	<u>\$ 18,045,916</u>	<u>\$ 17,442,926</u>

Temporarily restricted net assets are available for the following purposes:

<i>June 30,</i>	2016	2015
Education program activities	\$ 16,269,811	\$ 15,563,663
Quasi endowment activities	1,776,105	1,879,263
Total temporarily restricted net assets	<u>\$ 18,045,916</u>	<u>\$ 17,442,926</u>

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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

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

<i>June 30,</i>	2016	2015
Purpose restrictions accomplished	\$ 1,496,998	\$ 222,624
Purpose and time restrictions accomplished and expired	13,515,896	12,998,827
<b>Total net assets released from restrictions</b>	<b>\$ 15,012,894</b>	<b>\$ 13,221,451</b>

Permanently restricted net assets represent a donor-restricted endowment composed of various named funds to be held in perpetuity. Investment income earned on the majority of the named funds within this endowment is temporarily restricted until appropriated by the Board for uses which align with the donor's interest. Temporarily restricted investment income is used according to the donor-imposed restrictions. Permanently restricted net assets of \$ 235,397 as of June 30, 2016 and 2015 are available for endowment purposes.

### 10. Endowment

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

#### *Interpretation of Relevant Law*

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

#### *Endowment Net Asset Composition*

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

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

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

The following table represents the composition of Council's endowment by net asset class at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,879,263	\$ 235,397	\$ 2,114,660
Board-designated endowment funds	4,014,942	-	-	4,014,942
<b>Total</b>	<b>\$ 4,014,942</b>	<b>\$ 1,879,263</b>	<b>\$ 235,397</b>	<b>\$ 6,129,602</b>

### *Changes in Endowment Net Assets*

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

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

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

<i>June 30, 2015:</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ 6,263,895	\$ 2,067,487	\$ 235,397	\$ 8,566,779
Interest and dividends	159,371	51,348	-	210,719
Net depreciation of investments	(132,977)	(34,636)	-	(167,613)
Contributions	21,553	32,253	-	53,806
Transfer to General Fund	(2,295,400)	-	-	(2,295,400)
Amounts appropriated for expenses	(1,500)	(237,189)	-	(238,689)
<b>Endowment net assets, end of the year</b>	<b>\$ 4,014,942</b>	<b>\$ 1,879,263</b>	<b>\$ 235,397</b>	<b>\$ 6,129,602</b>

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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### *Return Objectives and Risk Parameters*

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

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

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

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

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Council to retain as a fund of perpetual duration. There were no endowment funds with deficiencies for the years ended June 30, 2016 and 2015.

## **11. Employee Retirement Plans and Postretirement Benefit Plan**

### *Employee Retirement Plan*

Council has a noncontributory, defined benefit pension plan (the Retirement Plan) that provides benefits for most of Council's employees upon attaining the age of 20 and one-half and completing at least 1,000 hours of service during their first year of employment or any subsequent plan year. Council makes annual contributions to the Retirement Plan equal to the minimum funding standards of ERISA and accrues pension expense based upon actuarial cost methods. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The fair value of the plan assets was less than the estimated benefit obligation at June 30, 2016 and 2015. Minimum contributions of \$0 and \$638,656 were required for the years ended June 30, 2016 and 2015, respectively, to satisfy the Retirement Plan's funding requirements for the year per the actuarial computation. Council contributed \$249,182 and \$743,641 in fiscal years 2016 and 2015, respectively, and is required to contribute \$484,891 during the 2016 fiscal year.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

The following is a summary of the funded status of the Retirement Plan as of June 30 and the key assumptions used by the Retirement Plan's actuary. These calculations are performed based on a measurement date of July 1, 2015 and 2014 for fiscal years ended June 30, 2016 and 2015, respectively.

### Change in Benefit Obligation

<i>Years ended June 30,</i>	2016	2015
Benefit obligation, beginning of year	\$ (15,992,233)	\$ (16,094,023)
Interest cost	(659,275)	(664,477)
Actuarial loss	(2,165,241)	(193,470)
Benefits paid	969,782	959,737
<b>Benefit obligation, end of year</b>	<b>\$ (17,846,967)</b>	<b>\$ (15,992,233)</b>

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

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

<i>June 30,</i>	2016	2015
Accumulated benefit obligation	\$ (17,846,967)	\$ (15,992,233)
Projected benefit obligation	\$ (17,846,967)	\$ (15,992,233)
Fair value of plan assets	12,085,897	13,082,698
<b>Funded status - under funded</b>	<b>\$ (5,761,070)</b>	<b>\$ (2,909,535)</b>
<b>Unfunded pension liability</b>	<b>\$ (5,761,070)</b>	<b>\$ (2,909,535)</b>

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

<i>Years ended June 30,</i>	2016	2015
Actuarial loss	\$ 9,836,859	\$ 6,990,543
<b>Total</b>	<b>\$ 9,836,859</b>	<b>\$ 6,990,543</b>

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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

<i>Years ended June 30,</i>	2016	2015
Interest cost	\$ 659,275	\$ 664,477
Expected return on plan assets	(972,381)	(977,864)
Amortization of prior service cost	-	-
Amortization of prior losses	567,507	478,292
<b>Net periodic benefit cost</b>	<b>\$ 254,401</b>	<b>\$ 164,905</b>

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

<i>Years ended June 30,</i>	2016	2015
Amount reclassified to net periodic benefit cost	\$ (567,507)	\$ (478,292)
Amount arising during the period	3,266,441	976,739
<b>Total</b>	<b>\$ 2,698,934</b>	<b>\$ 498,447</b>

The estimated amount of actuarial loss for the year ended June 30, 2016 to be amortized during the following year is \$1,248,582.

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

<i>June 30,</i>	2016		2015	
Mutual funds - Equity	\$ 4,912,034	41%	\$ 5,255,503	40%
Mutual funds - Fixed income	2,633,474	22%	2,929,134	22%
Mutual funds - International equity	2,247,896	18%	2,445,599	19%
Aetos hedge funds	1,435,127	12%	1,479,398	11%
Real estate equity fund	605,723	5%	635,355	5%
Group annuity contract	134,225	1%	138,658	1%
Short-term fund	117,418	1%	199,051	2%
<b>Total plan assets at fair value</b>	<b>\$ 12,085,897</b>	<b>100%</b>	<b>\$ 13,082,698</b>	<b>100%</b>

The plan also follows ASC 820 (see Note 5). Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies at June 30, 2016 and 2015.

### *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.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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

### *Group Annuity Contract*

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

The following tables set forth, by level within the fair value hierarchy, the plan's investment assets that are measured at fair value on a recurring basis as of June 30, 2016 and 2015. 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.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

### Investment Assets at Fair Value as of June 30, 2016

Asset Category:	Level 1	Level 2	Level 3	Investment Reported at NAV*	Total
<b>Mutual funds:</b>					
U.S. Core Equity Fund Class E	\$ 1,344,217	\$ -	\$ -	\$ -	\$ 1,344,217
Quantitative Equity Fund Class E	1,198,511	-	-	-	1,198,511
U.S. Growth Fund Class E	1,170,786	-	-	-	1,170,786
U.S. Value Class E	-	-	-	-	-
U.S. Small & Mid Cap Fund Class E	1,198,520	-	-	-	1,198,520
International Fund E Emerging Markets Class E	1,754,943	-	-	-	1,754,943
	492,953	-	-	-	492,953
Investment Grade Bond Fund Class E	1,087,189	-	-	-	1,087,189
Strategic Bond Fund Class E	780,466	-	-	-	780,466
Short Duration Bond Class E	765,819	-	-	-	765,819
Real Estate Fund E	605,723	-	-	-	605,723
<b>Aetos hedge funds:</b>					
Long/Short Strategies Cayman Fund	-	-	-	595,476	595,476
Multi-Strategy Arbitrage Cayman Fund	-	-	-	540,530	540,530
Distressed Investment Strategy Cayman Fund	-	-	-	299,121	299,121
<b>Group annuity contract:</b>					
Lincoln National Life Insurance Company Group annuity contract	-	-	134,225	-	134,225
<b>Short term fund:</b>	<b>117,418</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,418</b>
<b>Total investments at fair value</b>	<b>\$ 10,516,545</b>	<b>\$ -</b>	<b>\$ 134,225</b>	<b>\$ 1,435,127</b>	<b>\$ 12,085,897</b>

\* 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 statements of financial position.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

### Investment Assets at Fair Value as of June 30, 2015

Asset Category:	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
<b>Mutual funds:</b>					
U.S. Core Equity Fund Class E	\$ 1,408,138	\$ -	\$ -	\$ -	\$ 1,408,138
Quantitative Equity Fund Class E	1,283,229	-	-	-	1,283,229
U.S. Growth Fund Class E	1,277,044	-	-	-	1,277,044
U.S. Value Class E	-	-	-	-	-
U.S. Small & Mid Cap Fund Class E	1,287,092	-	-	-	1,287,092
International Fund E Emerging Markets Class E	1,924,931	-	-	-	1,924,931
	520,668	-	-	-	520,668
Investment Grade Bond Fund Class E	1,366,741	-	-	-	1,366,741
Strategic Bond Fund Class E	780,989	-	-	-	780,989
Short Duration Bond Class E	781,404	-	-	-	781,404
Real Estate Fund E	635,355	-	-	-	635,355
<b>Aetos hedge funds:</b>					
Long/Short Strategies Cayman Fund	-	-	-	607,620	607,620
Multi-Strategy Arbitrage Cayman Fund	-	-	-	560,917	560,917
Distressed Investment Strategy Cayman Fund	-	-	-	310,861	310,861
<b>Group annuity contract:</b>					
Lincoln National Life Insurance Company Group annuity contract	-	-	138,658	-	138,658
<b>Short term fund:</b>	199,051	-	-	-	199,051
<b>Total investments at fair value</b>	\$ 11,464,642	\$ -	\$ 138,658	\$ 1,479,398	\$ 13,082,698

\* 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 statements of financial position.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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

	Group Annuity Contract
Balance as of June 30, 2014	\$ 143,023
Interest	2,590
Payments and settlements	(6,955)
Net realized and unrealized gains	-
Balance as of June 30, 2015	138,658
Interest	2,510
Payments and settlements	(6,943)
Net realized and unrealized gains	-
Balance as of June 30, 2016	\$ 134,225

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

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

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

<i>Years ended June 30,</i>	2016	2015
<i>Benefit Obligation:</i>		
Discount rate	3.50%	4.25%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.50%	7.50%
<i>Net Periodic Benefit Cost:</i>		
Discount rate	4.25%	4.25%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.50%	7.50%

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

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

<i>Years ended June 30,</i>	2016	2015
Net periodic benefit cost	\$ 254,401	\$ 164,905
Employer contributions	\$ 249,182	\$ 743,641
Participant contributions	\$ -	\$ -
Benefits paid	\$ 969,782	\$ 959,737

### Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

<i>Years ending June 30,</i>	
2017	\$ 989,219
2018	973,765
2019	979,809
2020	984,222
2021	965,177
2022-2026	4,873,048
	<b>\$ 9,765,240</b>

### *403(b) Plan*

All employees are eligible to participate in a defined contribution retirement plan with Principal Trust Company after reaching the age of 21. Under the plan, Council contributes 2.5% of the employee's annual gross pay and 50 percent of the first 3 percent of eligible compensation deferred by participants. Employees may contribute up to 100 percent of their compensation not to exceed the annual maximum allowable amount under the Internal Revenue Code. Employee contributions may be in the form of a salary deduction or, more typically, a salary reduction whereby taxes on the contribution are deferred until retirement. Retirement expenses were \$366,959 and \$359,925 for the years ended June 30, 2016 and 2015, respectively.

### *Postretirement Benefit Plan*

Council also sponsors a postretirement health care benefit plan (the Postretirement Plan) that covers all full-time associates. The Postretirement Plan pays stated percentages of most necessary medical expenses incurred by retirees, after subtracting payments by Medicare or other providers and after a stated deductible has been met. Participants become eligible for these benefits if they retire from Council after reaching age 55 with 10 or more years of service. The Postretirement Plan is contributory, with retiree contributions adjusted annually. The accounting for the Postretirement Plan anticipates future cost-sharing changes that are consistent with Council's announced policy regarding retiree premium contributions. Eligible participant retirees pay an amount equal to 10% of the total individual premium and 50% of the total individual premium if they wish to have this health coverage for a spouse. There are no requirements for Council to fund the Postretirement Plan, and as such no contribution has been made for the years ended June 30, 2016 and 2015. Council expects to contribute \$0 to its retiree medical plan in fiscal year 2016. The actuarial calculations are based on a measurement date of July 1, 2015 and 2014 for the years ended June 30, 2016 and 2015, respectively.

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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

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

<i>June 30,</i>	2016	2015
Accumulated benefit obligation	\$ (3,278,783)	\$ (2,860,067)
Fair value of plan assets	-	-
Funded status - under funded	\$ (3,278,783)	\$ (2,860,067)
Accrued benefits cost (including \$69,558 and \$68,649 reported as current liability for 2016 and 2015, respectively)	\$ (3,278,783)	\$ (2,860,067)

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

<i>Years ended June 30,</i>	2016	2015
Actuarial loss/(gain)	\$ -	\$ (23,718)

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

<i>Years ended June 30,</i>	2016	2015
Service cost	\$ 131,812	\$ 121,189
Interest cost	109,526	113,122
Actuarial gain	-	-
Net periodic postretirement benefit cost	\$ 241,338	\$ 234,311

Estimated amounts to be amortized during the following year:

<i>Years ended June 30,</i>	2016	2015
Actuarial gain	\$ -	\$ -

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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

<i>Years ended June 30,</i>	2016	2015
Discount rate	4.25%	4.25%
Health care cost trend rate		
Medical claims	6.75%	5.00%
Prescription drugs	5.00%	5.00%

The assumed trend of prescription drug costs is expected to decrease through 2015 when it is projected to reduce to 5.0%. The following table sets forth the effect of a 1% increase and a 1% decrease in the trend assumption on the aggregate of the services and interest cost components of the net periodic postretirement benefit cost and the accumulated postretirement benefit obligation as of:

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

<i>June 30, 2015</i>	Assumed Trend	Assumed Trend +1%	Assumed Trend -1%
Service and interest cost	\$ 234,311	\$ 271,043	\$ 202,534
Accumulated postretirement obligation	\$ 2,860,067	\$ 3,237,493	\$ 2,526,882

<i>Years ended June 30,</i>	2016	2015
Benefit cost	\$ 196,635	\$ 208,962
Benefits paid	\$ 70,415	\$ 58,622

### Estimated Future Benefit Payments

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

<i>Years ending June 30,</i>	
2017	\$ 69,558
2018	74,263
2019	78,105
2020	82,963
2021	85,967
2022-2026	496,082
	\$ 886,938

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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

### 12. Commitments

#### Operating Leases

Council has commitments under operating leases for office space and equipment expiring at various times through 2020. Some leases have scheduled rental increases and some contain options to renew.

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

*Years ending June 30,*

2017	\$ 58,880
2018	60,059
2019	61,259
2020	62,484
2021	10,448
	\$ 253,130

For the years ended June 30, 2016 and 2015 rental expense was \$54,064 and \$98,523, respectively.

#### Contingencies

At any given time, Council may be involved in various claims or administrative matters. Management believes that at June 30, 2016, any liability that results from resolving these matters will not materially impact Council's consolidated financial position.

### 13. Consolidated Financial Information

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

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

# National 4-H Council and Controlled Affiliates

## Notes to Consolidated Financial Statements

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<i>Year ended June 30, 2015</i>	National 4-H Council	National 4-H Activities Foundation	National 4-H Congress Foundation	Global Clover Network, Inc.	Total
Revenue	\$ 43,576,489	\$ -	\$ 481,949	\$ 606,492	\$ 44,664,930
Expenses	41,176,467	-	476,619	940,320	42,593,406
Increase (decrease) in net assets from operating activities	\$ 2,400,022	\$ -	\$ 5,330	\$ (333,828)	\$ 2,071,524

### 14. Subsequent Events

Council evaluated subsequent events through October 28, 2016, 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

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# National 4-H Council and Controlled Affiliates

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Total Federal Expenditures</i>
<i>United States Department of Justice</i>				
<i>Office of Juvenile Justice and Delinquency Programs</i>				
National Mentoring Program	16.726	N/A	\$ 9,277,130	\$ 10,507,094
Delinquency Programs	16.831	N/A	-	28,346
<b>Total Department of Justice Programs</b>				<b>10,535,440</b>
<i>United States Department of Agriculture</i>				
<i>Cooperative State Research, Education, and Extension Service</i>				
Engaging Youth, Serving Community	10.500	N/A	21,422	104,068
<i>United States Department of State</i>				
<i>Pass Through from Cal Ripken Sr. Foundation</i>				
Sports United	19.415	36-2862206	-	40,798
<b>Total Expenditures of Federal Awards</b>			<b>\$ 9,298,552</b>	<b>\$ 10,680,306</b>

*See Notes to Schedule of Expenditures of Federal Awards.*

# National 4-H Council and Controlled Affiliates

## Notes to Schedule of Expenditures of Federal Awards

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Council under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of Council.

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

All of Council's federal awards were in the form of cash assistance for the year ended June 30, 2016.

Council had no federally funded insurance programs or loan guarantees during the year ended June 30, 2016.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Council has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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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 June 30, 2016, 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 October 28, 2016.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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## 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

October 28, 2016



## Independent Auditor's Report on Compliance For Each 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 Each Major Federal Program

We have audited National 4-H Council and Controlled Affiliates' (collectively referred to as "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Council's major federal program for the year ended June 30, 2016. 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, 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 Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### *Opinion on the Major Federal Program*

In our opinion, Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2016.



### *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 each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Council's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

October 28, 2016

# National 4-H Council and Controlled Affiliates

## Schedule of Findings and Questioned Costs Year Ended June 30, 2016

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### Section I - Summary of Auditor's Results

#### *Consolidated Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

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

#### *Federal Awards*

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major federal programs:

CFDA/Contract Number

16.726

Name of Federal Program or Cluster

Office of Juvenile Justice and Delinquency Programs  
National Mentoring Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

# National 4-H Council and Controlled Affiliates

## Schedule of Findings and Questioned Costs

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### 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.