



PAPER AND PACKAGING BOARD

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2018 AND 2017

PAPER AND PACKAGING BOARD

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DECEMBER 31, 2018 AND 2017

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Independent Auditors' Report

Paper and Packaging Board
McLean, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Paper and Packaging Board (P+PB) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Paper and Packaging Board as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As noted in Note 3 of the financial statements, Paper and Packaging Board adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the accompanying supplementary schedules on pages 16-19, which is the responsibility of management, is presented for purposes of additional analysis as required by U.S. Department of Agriculture, Agricultural Marketing Service, and is not a required part of the financial statements. Such information, except for the budget information marked “unaudited,” was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information marked “unaudited” has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of Paper and Packaging Board’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 the 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 Paper and Packaging Board’s internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
March 22, 2019

Certified Public Accountants

PAPER AND PACKAGING BOARD
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Current Assets		
Cash	\$ 5,837,020	\$ 6,346,890
Assessments Receivable	6,140,690	6,160,365
Prepaid Expenses	70,681	179,185
Total Current Assets	12,048,391	12,686,440
Property and Equipment, Net	133,194	164,722
Total Assets	\$ 12,181,585	\$ 12,851,162
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 266,773	\$ 822,567
Deferred Rent	9,239	4,215
Total Current Liabilities	276,012	826,782
Deferred Rent, Net of Current	55,672	-
Total Liabilities	331,684	826,782
Net Assets		
Without Donor Restrictions - Board Designated	869,535	924,722
Without Donor Restrictions	10,980,366	11,099,658
Total Net Assets	11,849,901	12,024,380
Total Liabilities and Net Assets	\$ 12,181,585	\$ 12,851,162

See accompanying Notes to Financial Statements.

PAPER AND PACKAGING BOARD

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Assessments	\$ 24,432,751	\$ 24,503,962
Interest Income	<u>41,429</u>	<u>42,156</u>
Total Revenue	24,474,180	24,546,118
Expenses		
Program Expenses	23,434,160	25,370,669
General and Administration	1,119,626	1,074,623
Federal Government User Fees	<u>94,873</u>	<u>90,519</u>
Total Expenses	<u>24,648,659</u>	<u>26,535,811</u>
Change in Net Assets	(174,479)	(1,989,693)
Net Assets at Beginning of Year	<u>12,024,380</u>	<u>14,014,073</u>
Net Assets at End of Year	<u><u>\$ 11,849,901</u></u>	<u><u>\$ 12,024,380</u></u>

See accompanying Notes to Financial Statements.

PAPER AND PACKAGING BOARD

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services			Total Program Services	General and Administrative	Federal Government User Fees	Total
	Consumer Outreach	Program Management	Industry/ Customer Outreach				
Salaries, Taxes, and Benefits	\$ -	\$ 776,104	\$ -	\$ 776,104	\$ 670,553	\$ -	\$ 1,446,657
Travel and Meetings	36,000	-	-	36,000	39,102	-	75,102
Compliance, Audit, and Elections	-	-	-	-	22,369	-	22,369
Office Expenses	-	-	-	-	123,239	-	123,239
Rent or Lease	-	-	-	-	106,868	-	106,868
Insurance	-	-	-	-	16,628	-	16,628
Professional Fees	175,543	-	-	175,543	72,726	-	248,269
Media	18,004,920	-	-	18,004,920	-	-	18,004,920
Production and Agency Fees	1,748,744	-	-	1,748,744	-	-	1,748,744
Public Relations	1,853,347	-	-	1,853,347	-	-	1,853,347
Industry Outreach	-	-	180,021	180,021	-	-	180,021
Channel Marketing	250,908	-	-	250,908	-	-	250,908
Metrics	327,108	-	-	327,108	-	-	327,108
USDA Fees	-	-	-	-	-	94,873	94,873
Depreciation and Amortization	50,614	-	30,851	81,465	17,676	-	99,141
Miscellaneous	-	-	-	-	50,465	-	50,465
Total Functional Expenses	\$ 22,447,184	\$ 776,104	\$ 210,872	\$ 23,434,160	\$ 1,119,626	\$ 94,873	\$ 24,648,659

See accompanying Notes to Financial Statements.

PAPER AND PACKAGING BOARD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (174,479)	\$ (1,989,693)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation and Amortization	99,141	140,052
<u>(Increase) Decrease in Assets</u>		
Assessments Receivable	19,675	(9,609)
Prepaid Expenses	108,504	(152,632)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(555,794)	76,398
Deferred Rent	60,696	4,215
	<u>(442,257)</u>	<u>(1,931,269)</u>
Net Cash Used in Operating Activities		
Cash Flows from Investing Activities		
Purchases of Property and Equipment	<u>(67,613)</u>	<u>(67,310)</u>
Net Cash Used in Investing Activities	<u>(67,613)</u>	<u>(67,310)</u>
Net Decrease in Cash	(509,870)	(1,998,579)
Cash at Beginning of Year	<u>6,346,890</u>	<u>8,345,469</u>
Cash at End of Year	<u><u>\$ 5,837,020</u></u>	<u><u>\$ 6,346,890</u></u>

See accompanying Notes to Financial Statements.

PAPER AND PACKAGING BOARD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. ORGANIZATION

Paper and Packaging Board (P+PB) establishes and guides promotions designed to grow demand for paper and paper-based packaging products. Manufacturers and importers of these products participate in the Paper Checkoff, an industry-funded promotion program.

The Paper and Paper-Based Packaging Promotion, Research, and Information Order (Order) was issued by the U.S. Department of Agriculture (USDA) for the purpose of maintaining and expanding markets for paper and paper-based packaging. The program is financed by an assessment on paper and paper-based packaging manufacturers (domestic producers) and importers and administered by an elected board of industry members. The assessment rate is \$0.35 per short ton. (One short ton equals 2,000 pounds).

The program covers four types of paper and paper-based packaging - printing, writing and related paper (used to make products for printing, writing, and other communication purposes), Kraft packaging paper (used for products like grocery bags and sacks), containerboard (used to make corrugated boxes, shipping containers, and related products), and paperboard (used for food and beverage packaging, tubes, and other miscellaneous products). Entities that domestically manufacture or import less than 100,000 short tons per marketing year are exempt from the payment of assessments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

P+PB uses the accrual basis of accounting. Under that basis, revenues are recognized when earned and expenses are recognized when liabilities are incurred.

As an instrumentality of a U.S. Federal Government Department, P+PB is subject to Statements of Federal Financial Accounting Concepts and Standards and other pronouncements of the Federal Accounting Standards Advisory Board (FASAB). *Statement of Federal Financial Accounting Standards 34: The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board* (SFFAS 34) provides that bodies with oversight authority, such as AMS, may determine that the needs of a reporting entity's primary users would be best met through the application of FASB (Financial Accounting Standards Board) standards. AMS has determined that the needs of the primary users of P+PB's financial statements would best be met through the application of FASB standards. Accordingly, P+PB presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities - Presentation of Financial Statements* (FASB ASC 958-205).

Under FASB ASC 958-205, P+PB presents the statements of financial position, activities, functional expenses, and cash flows. In addition, P+PB reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, net assets with donor restrictions. As of December 31, 2018 and 2017, there were no net assets with donor restrictions.

PAPER AND PACKAGING BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assessments Receivable

Assessments receivable are reported at their unpaid balances, reduced by an allowance for doubtful accounts, if necessary.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering P+PB's past receivables loss experience, known and inherent risks in the assessments receivable population, adverse situations that may affect a manufacturer's or importers ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the assessments receivable balances. Assessments receivable are considered past due after the 30th calendar day of the month following the end of the quarter in which the paper and paper-based packaging was manufactured or imported. Assessments receivable are charged off based on management's case-by-case determination that they are uncollectible, subject to approval by USDA. As of December 31, 2018 and 2017, there was no allowance for doubtful accounts.

As of January 25, 2016, a late payment charge was imposed on any manufacturer or importer who fails to make timely remittance to P+PB of the total assessments for which the manufacturer or importer is liable.

Property and Equipment

P+PB capitalizes expenditures over \$5,000 for property and equipment. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets (three years for website development, three years for computer equipment and five years for other equipment and furniture). When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the statements of activities.

Revenue Recognition

P+PB recognizes revenue from assessments based on the volume of short tons of paper and paper-based packaging manufactured domestically in the United States and imported into the United States by each manufacturer and importer subject to P+PB's assessments.

PAPER AND PACKAGING BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets

P+PB has established a reserve for future use that represents remaining lease payments, one month of budgeted general and administrative expenses, and net property and equipment. As of December 31, 2018 and 2017, this reserve amounted to \$869,535 and \$924,722, respectively, and is listed as a net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, benefits, and general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

Income Taxes

Based on P+PB's status as an instrumentality of USDA, P+PB is exempt from income taxes.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in (Topic 840), *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Earlier application is permitted. Management has not evaluated the impact of this ASU on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The ASU is required for annual reporting periods beginning after December 15, 2018, but may be early adopted. Management has not evaluated the impact of this ASU on its financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. The ASU may be adopted using either a full

PAPER AND PACKAGING BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

retrospective or modified retrospective basis. The ASU is required for annual reporting periods beginning after December 15, 2018, but may be early adopted. Management has not evaluated the impact of this ASU on its financial statements.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU made improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit's liquidity, financial performance, and cash flows. The ASU became effective for fiscal years beginning after December 15, 2017. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. However, a not-for-profit has the option to omit the analysis of expenses by both "functions" and "natural" classification as well as certain disclosures about liquidity and availability of resources, for any comparative periods originally presented before the period of adoption. These financial statements do not include the disclosure about P+PB's liquidity for the year ended December 31, 2017.

P+PB only maintained unrestricted net assets as previously presented and restated as net assets without donor restriction for \$11,849,901 and \$12,024,380 as of December 31, 2018 and 2017, respectively, in the face of the statements of financial position.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

P+PB manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

As of December 31, 2018, the following financial assets and liquidity sources were available for general operating expenditure in the year ended December 31, 2019.

Financial Assets	
Cash	\$ 5,837,020
Assessments Receivable	6,140,690
Total Financial Assets Available within One Year	<u>\$ 11,977,710</u>

PAPER AND PACKAGING BOARD

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. CUSTODIAL CREDIT RISK

Custodial credit risk for cash is the risk that P+PB will not be able to recover deposits in the event of the failure of a depository financial institution or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2018 and 2017, P+PB's bank deposits totaled \$5,937,927 and \$6,394,314, respectively. Of these amounts, \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$5,687,927 and \$6,143,331, respectively, were exposed to custodial credit risk as follows:

	<u>2018</u>	<u>2017</u>
Uninsured and Collateral Held by Pledging Bank	\$ 5,687,927	\$ 6,143,331
Uninsured	-	-

For investment of P+PB's funds collected from assessments, P+PB is required to select depository financial institutions that are designated by the U.S. Department of Treasury as depository and financial agents for the U.S. Federal Government. P+PB has entered into a memorandum of understanding with one of its depository financial institutions to aid in complying with the regulations concerning deposits and/or investments of public funds. The financial institution pledges acceptable securities at the Federal Reserve as specified in the Code of Federal Regulations. The amount pledged is an amount sufficient to cover all of P+PB's deposits at the institution in excess of \$250,000. P+PB would have access to the pledged securities should the institution be unable to return P+PB's deposits. At December 31, 2018 and 2017, the pledged securities consisted of Federal National Mortgage Association and Federal Home Loan Bank interest-bearing securities.

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Consumer Website	\$ 341,797	\$ 295,329
Board Website	116,690	96,775
Equipment	13,966	13,966
Furniture and Fixtures	47,624	47,624
Leasehold Improvements	28,836	27,606
Less Accumulated Depreciation and Amortization	<u>(415,719)</u>	<u>(316,578)</u>
Net	<u>\$ 133,194</u>	<u>\$ 164,722</u>

Depreciation and amortization expense amounted to approximately \$99,000 and \$140,000 in 2018 and 2017, respectively.

7. COMMITMENTS AND CONTINGENCIES

In 2014, P+PB entered into a three-year lease for office space in McLean, Virginia, that expired in December 2017. The lease escalated by 3% each year and had a tenant option for two additional years. Effective December 15, 2017, P+PB entered into a five-year non-cancellable operating lease for new office space in Tysons, Virginia, that holds a term of 66 months. The

PAPER AND PACKAGING BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

lease provided for six months free rent and a construction allowance totaling \$16,860. The lease escalates by 3% each year and has an option to extend for four additional years. The minimum payments required under the lease are expensed on a straight-line basis over the term of the lease. The difference between amounts expensed and the required payments is reflected as deferred rent in the statements of financial position.

Future minimum payments for the office lease is as follows:

For the Years Ending December 31,

2019	\$ 117,818
2020	121,055
2021	124,393
2022	127,799
2023	<u>65,653</u>
	<u>\$ 556,717</u>

Rent expense under the lease for the years ended December 31, 2018 and 2017, was approximately \$107,000 and \$66,000, respectively.

8. RETIREMENT PLAN

P+PB has a defined contribution retirement plan (the Plan) open to all employees. Under the Plan, P+PB makes contributions to the Plan, based on a percentage of the payroll for employees who participate in the Plan upon completion of three months of service and 500 hours. These contributions, together with voluntary employee contributions, are used to purchase mutual funds, the rights to which are subsequently vested in the employees according to the Plan document timeline. The cost to P+PB under the Plan was approximately \$111,000 and \$98,000 for the years ended December 31, 2018 and 2017, respectively.

9. SUBSEQUENT EVENTS

P+PB has evaluated subsequent events through March 22, 2019, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

PAPER AND PACKAGING BOARD

**SCHEDULE OF REVENUE AND EXPENSES - ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actuals	Budget (Unaudited)	Actual over (under) Budget
Revenue			
Assessments	\$ 24,432,751	\$ 23,500,000	\$ 932,751
Interest Income	41,429	-	41,429
Total Revenue	24,474,180	23,500,000	974,180
Program Expenses			
Promotion Programs			
Consumer Outreach	22,447,184	23,650,000	(1,202,816)
Program Management	776,104	900,000	(123,896)
Industry/Customer Outreach	210,872	290,000	(79,128)
Total Promotion Programs Expenses	23,434,160	24,840,000	(1,405,840)
General and Administration	1,119,626	1,300,000	(180,374)
Federal Government User Fees	94,873	160,000	(65,127)
Total Expenses	24,648,659	26,300,000	(1,651,341)
Change in Net Assets	(174,479)	(2,800,000)	2,625,521
Beginning Net Assets Without Donor Restrictions	12,024,380	12,024,380	-
Ending Net Assets Without Donor Restrictions	\$ 11,849,901	\$ 9,224,380	\$ 2,625,521

PAPER AND PACKAGING BOARD

**SCHEDULE OF PROGRAM EXPENDITURES - ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018**

Consumer Outreach	Actual	BUDGET (unaudited)	Variance
Media	\$ 18,004,920	\$ 18,000,000	\$ (4,920)
Production and Agency Fees	1,748,744	3,100,000	1,351,256
Public Relations	1,853,347	1,700,000	(153,347)
Metrics	327,108	250,000	(77,108)
Channel Marketing	250,908	250,000	(908)
Professional Fees	175,543	150,000	(25,543)
Depreciation and Amortization	50,614	100,000	49,386
Travel and Meetings	36,000	100,000	64,000
Total Consumer Outreach	\$ 22,447,184	\$ 23,650,000	\$ 1,202,816

Other Programs	Actual	BUDGET (unaudited)	Variance
Program Management	\$ 776,104	\$ 900,000	\$ 123,896
Industry Outreach	178,616	200,000	21,384
Industry Depreciation and Amortization	32,256	90,000	57,744
Total Other Programs	\$ 986,976	\$ 1,190,000	\$ 203,024

PAPER AND PACKAGING BOARD

SCHEDULE OF GENERAL AND ADMINISTRATIVE
EXPENDITURES - ACTUAL COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2018

Administration Detail	Actual	BUDGET (unaudited)	Variance
Salaries, Benefits, and Temp Help	\$ 670,553	\$ 800,000	\$ 129,447
Meetings and Travel	39,102	75,000	35,898
Compliance and Board Elections	22,368	25,000	2,632
Office Expenses	264,411	225,000	(39,411)
Professional Fees	72,726	100,000	27,274
Other	50,466	75,000	24,534
Total Administration Expenses	\$ 1,119,626	\$ 1,300,000	\$ 180,374

PAPER AND PACKAGING BOARD

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Receipts		
Assessments	\$ 24,452,426	\$ 24,494,353
Interest Income	<u>41,429</u>	<u>42,156</u>
Total Receipts	24,493,855	24,536,509
Disbursements		
Program Expenses	23,789,226	25,369,946
General and Administration	1,119,626	1,074,623
Federal Government User Fees	<u>94,873</u>	<u>90,519</u>
Total Disbursements	<u>25,003,725</u>	<u>26,535,088</u>
Excess of Receipts over Disbursements	(509,870)	(1,998,579)
Cash at Beginning of Year	<u>6,346,890</u>	<u>8,345,469</u>
Cash at End of Year	<u><u>\$ 5,837,020</u></u>	<u><u>\$ 6,346,890</u></u>

**Independent Auditors' 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***

Paper and Packaging Board
McLean, Virginia

We have audited, 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, the financial statements of Paper and Packaging Board (P+PB), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered P+PB'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of P+PB's internal control. Accordingly, we do not express an opinion on the effectiveness of P+PB'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 P+PB's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether P+PB's 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 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*.

Paper and Packaging Board
McLean, Virginia

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 P+PB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering P+PB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
March 22, 2019

Certified Public Accountants