

2017 Annual Report





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Our Objective

The Mushroom Council plays a very important role in the national promotion of fresh mushrooms through consumer public relations, foodservice communications and retail communications. Many different venues are used to promote fresh mushrooms to consumers, such as working with professional chefs in developing and promoting new recipes, working with produce department managers to maintain the highest quality mushroom product for customers and reaching tens of thousands of consumers via social media who are hungry for new mushroom recipe ideas.

Strategic Priorities

OVERALL STRATEGIES

1. Drive blend product development
2. Influence channel and consumer adoption of The Blend
3. Concentrate and integrate marketing resources for maximum impact

KEY BLEND MESSAGE PLATFORMS

- An improvement, upgrade, or variation on a meat product, not a substitute, filler, or an alternative to meat products: e.g. Gourmet Burger
- Primary benefit is that you don't need to give up your favorite meat products and eat meat alternatives (veggie burger), this offering meets you halfway
- Healthier meat products without sacrifice or compromise
- Framing: without sacrificing taste, you can make significant improvements in health/cost and sustainability
- The priority of taste, health, or cost varies by channel member, audience, and decision-maker

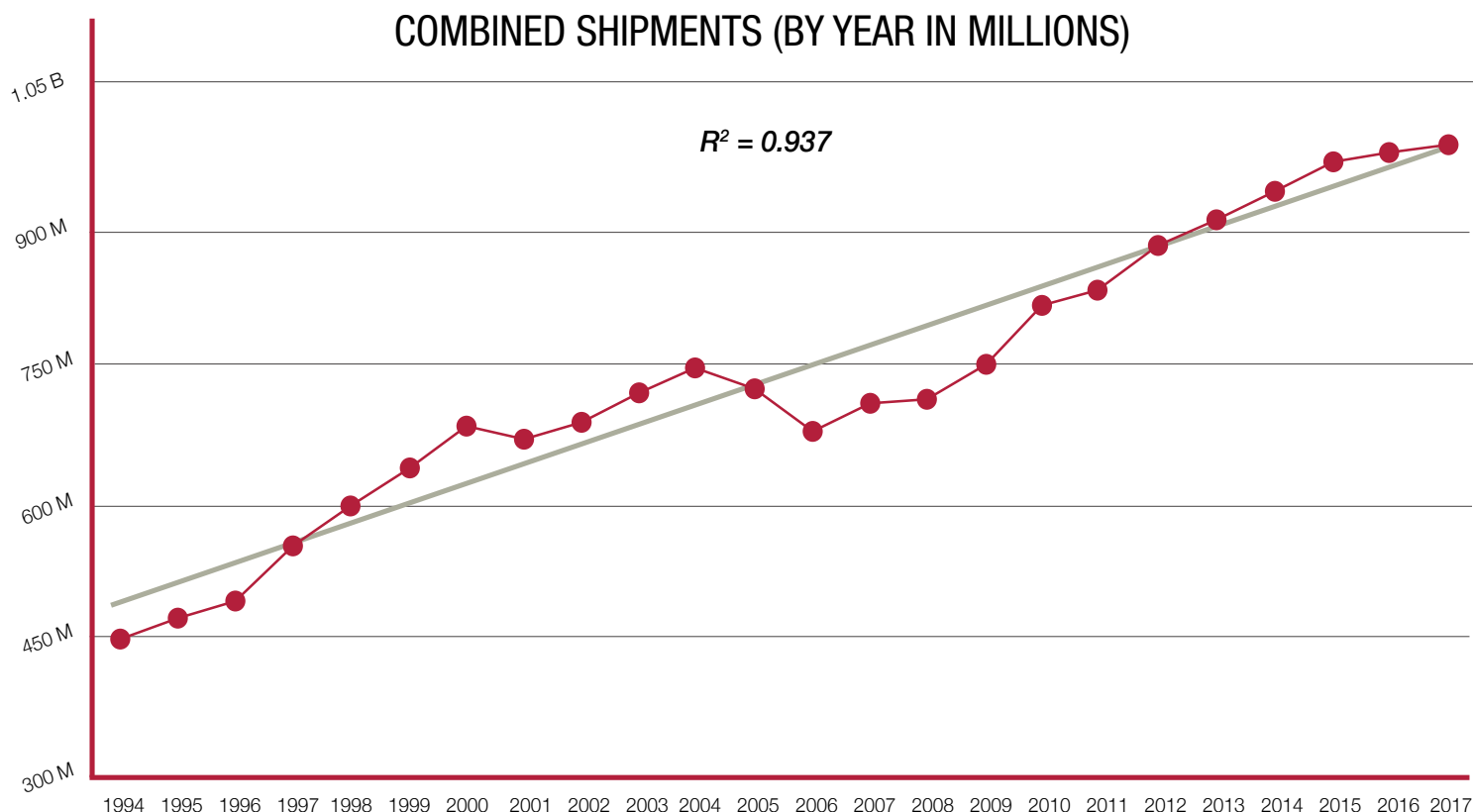
State of the Industry: Retrospective and Forecast

For the 8th consecutive year, fresh shipments set a new high in 2017, but it took a strong finish to get there. Ongoing domestic production challenges of El Niño in California, hurricanes in Texas and Florida, and labor shortages across the country were reflected in the USDA ERS NASS report last August: “reflecting both lower area and yield, U.S. production of fresh mushrooms (*Agaricus* and Specialty) declined to 838 million pounds in the 2016/17 crop year.”

Yet a major PR windfall by SONIC® Drive-In kicked off growth during the last 6 months of 2017 as domestic producers in PA increased fresh shipments and joined importers in meeting this ongoing strength in fresh demand.

Here are a few of the highlights from a review of data supplied by First Handler Reports and the Retail Data Sales Tracker by IRI:

- 2017 set a new record high for total shipments
- The last six months of 2017 increased at an average of 2.5%.
- 2017 retail sales finished up 6% compared to 2016 (following 2016's increase over 2015 of nearly 3%)
- Domestic fresh shipments grew nearly 25%, 160 million pounds from 2009 to 2015, as the fresh share of total production reached 90% and has been there for the last three years.
- However, since the fresh share has hit 90% of total domestic production, total shipment growth has slowed as domestic production has held constant (more pounds from PA, significantly less from CA with imports continuing to grow to meet ever stronger demand).
- With 94% confidence (see R^2 below) fresh mushroom shipments are forecasted to increase nearly another 100 million pounds over the next 5 years...where will they come from?
- 4 out of the last 6 months of 2017 set new record highs (including July and August)



Marketing Program at a Glance

The **Consumer Program** (consumer PR & digital) in 2017 centered largely on *The Blend* and mushroom sustainability, leveraging recipes, photography and nutrition facts to tell the mushroom story. The Blenditarian website and social communities launched in early 2017, designed to foster an online community of Blend advocates and fans. The 3rd annual Blended Burger Project™ returned and remained a major focus of the consumer program.

Through targeted media outreach, social/digital campaigns and events, we were able to activate a mix of paid and earned relationships to position mushrooms and *The Blend* as culinary trends.

The **Foodservice Program** saw heavy penetration of *The Blend* in non-commercial accounts, as larger commercial chains began looking at their own opportunities. Non-commercial operations, like Sodexo, added *The Blend* to their Mindful Program, while universities like Princeton, University of Illinois, University of Connecticut, University of Colorado and other large public universities adopted *The Blend*.

On the commercial front, Sonic Drive-In, the fourth largest burger chain in the country, began testing their SONIC Signature Slinger to determine how *The Blend* resonated with their guests, while the 3rd Annual James Beard Foundation's Blended Burger Project™ saw more than 400 operators, from 46 states, plus the District of Columbia, add a blended burger to their menu.

The 2017 **retail program** successfully targeted large retailers (Albertsons, Safeway, Jewel-Osco, Kroger, Stater Bros., Weis and Food Lion to name a few) to expand consumer interest in fresh mushrooms and *The Blend* through in-store demos with point-of-sale material including signage and recipe cards. Other retailer channel activities included: feature articles in retailer print magazines; press releases; mobile and social applications and partnerships with commodity groups, including the Beef Check-off Veal Summer Sweepstakes promotion; Martin's Famous Potato Rolls for a blogger tailgate promotion; and Kroger-Blend Cupcake Vineyards wine demonstrations.

In 2017, the **Nutrition Research Program** saw all five studies initially funded in 2015 completed. Of note, Dr. Joanne Slavin's research on satiety and food intake was published in the October issue of *Appetite* and was promoted in a release timed around the Mushroom Council's activation at the Academy of Nutrition and Dietetics Food and Nutrition Conference and Expo. Additional published research included "Acceptance of a mushroom-soy-beef blended burger among school-aged children," in *Health Behavior and Policy Review* (May) and "Utilizing mushrooms to reduce overall sodium in taco filling using physical and sensory evaluation," in *Journal of Food Science* (August).

After five years of marketing in the K-12 channel, the **School Nutrition Program** has had an exciting year and a new logo. Five years ago, mushrooms were served as pizza toppings, in occasional gravies and on some sandwiches in a few schools. During 2017, Mushroom in Schools collected more than 50 mushroom entrées, side dishes and salads from districts across the country. This inspirational menu has been very popular with potential K-12 mushroom customers.



Memorable Moments

The Blend is becoming a well-known term and was mentioned in top publications, including: The Today Show, Forbes, Parents Magazine, Cooking Channel, Food Network and Martha Stewart Living.

Blended Burger Project™ Campus Edition winners were University of Massachusetts, North Carolina State University, University of Montana, University of Alaska, Dickinson College and St. Norbert College.

SONIC® Drive-In became the largest chain to announce testing of The Blend with millions of customers.

Expansion of The Blend at retail continued to grow in 2017. Over 25 mid-size to large retailers carried, sampled or promoted The Blend in their meat, deli or produce departments.

The Council generated over 304,225 retail trade impressions with articles and press releases featured in a variety of trade publications including: Progressive Grocer, Produce News, The Packer, Produce Retailer, Produce Business, Supermarket News, and Grocery Headquarters.

Mushroom Council also worked with USDA on a new, more convenient pack size of IQF diced mushrooms sold to schools, which was rolled out in the fall for spring 2018 ordering.

During the year, more than 5,700,00 blended burgers were served in Sodexo-managed elementary and secondary schools.

Consumer Media

The goal of the consumer program is to increase consumption and demand for fresh mushrooms through targeted media outreach, social/digital campaigns, event activations, influential partnerships and research.

A main consumer focus for 2017 was to increase demand for fresh mushrooms through The Blend initiative, a way to make consumers more comfortable with incorporating mushrooms into their diet by blending mushrooms with meat in their favorite go-to dishes.

Targeted media outreach focused on

Mushroom Sustainability
Mushroom Farm Tours
Mushroom Nutrition
The Blend
Blended Burger Project™
SONIC Drive-In
blended burger news

Top national placements included

Weight Watchers Magazine
The Today Show
Savour
Martha Stewart
National Public Radio

Earned 70 foodservice, retail and produce industry trade articles in publications.

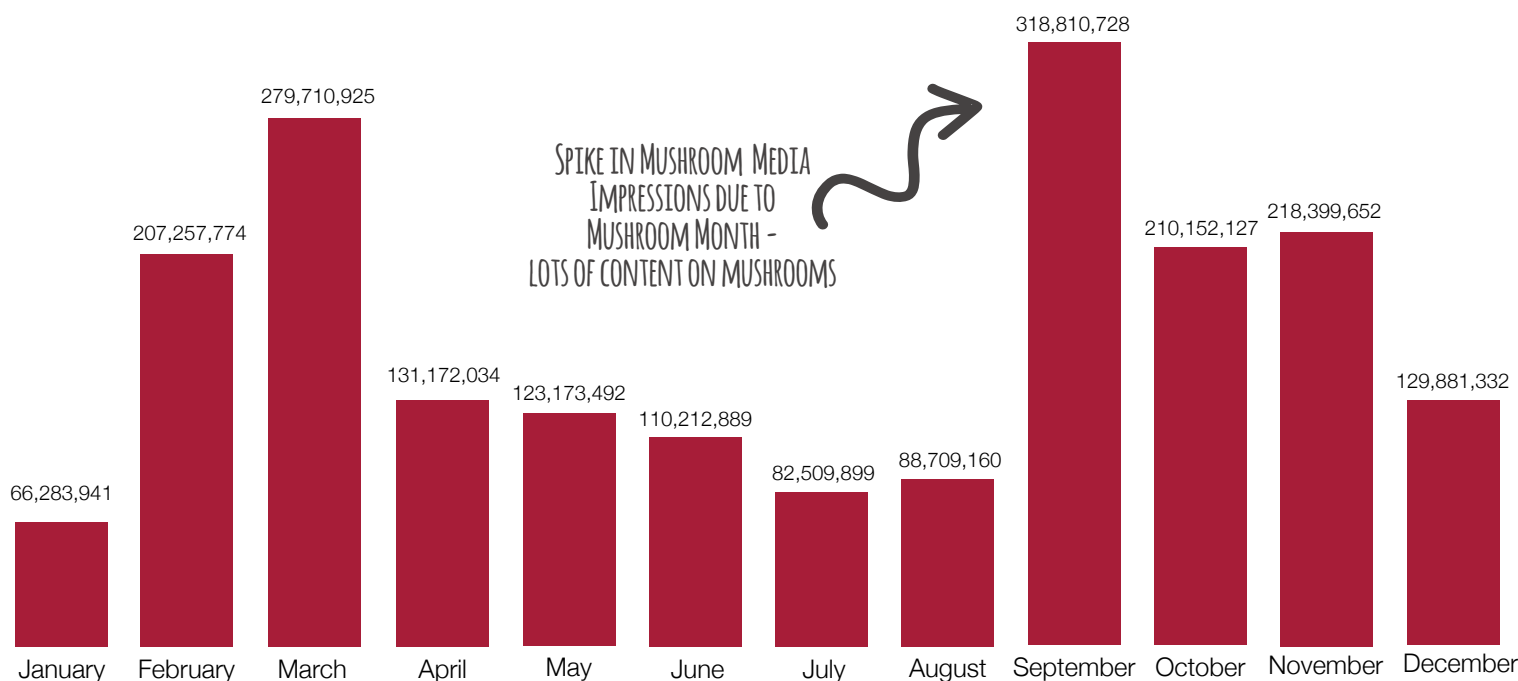
QSR Magazine, FreshPlaza,
The Packer, Foodservice Director,
Produce News, Restaurant Business,
RestaurantNews.com, Meat + Poultry,
Progressive Grocer & Perishable News

2 BILLION TOTAL MEDIA IMPRESSIONS

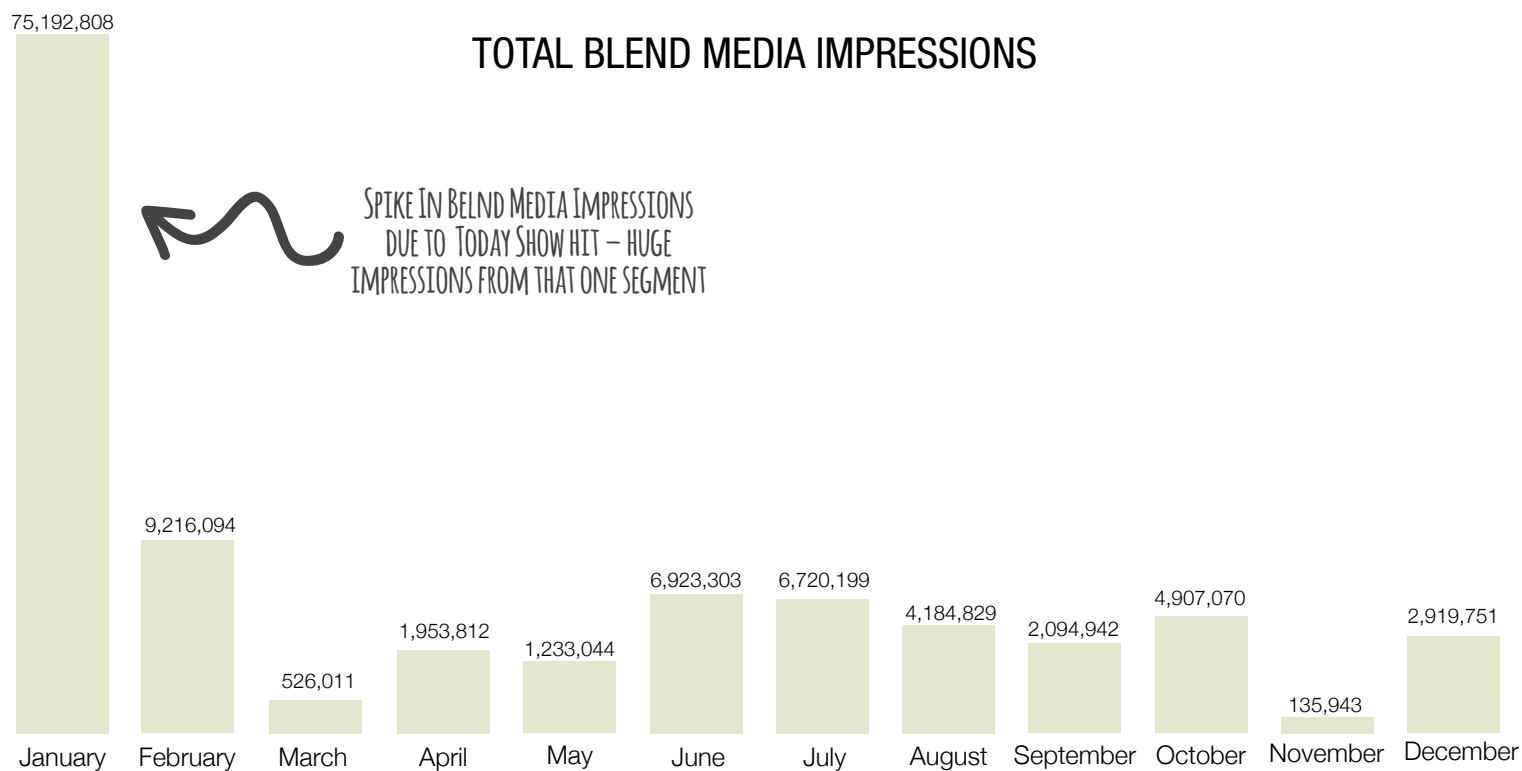


Monthly Mushroom Council + Blend Media Impressions

TOTAL MUSHROOM MEDIA IMPRESSIONS



TOTAL BLEND MEDIA IMPRESSIONS



Retail Program

Expansion of The Blend at retail continued to grow in 2017. Many retailers offer The Blend in one or more departments including meat, deli and produce including Coborn's, Weiss, Fareway, Reasor's, Redner's, Harmons, and Country Mart. Many other retailers have sampled or promoted The Blend with favorable results and may include carrying it in one or more departments. These retailers include: Bristol Farms, Baron's Market, Beasler's Market, Fresh Thyme, Alfala's, Heinen's, Mother's, Foodtown, Harps, Stater Bros., Food Lion, Kings Food Market, Tops and Kroger. Additionally, Albertsons' dietitians provided multiple Blend food demonstrations featuring a blend burger. Fifteen demonstrations took place during October at Albertsons, Safeway, Jewel-Osco and Acme and was featured on their social media channels, generating over **2,132,555 campaign impressions**.

Retail Partnerships

KROGER - BLEND & CUPCAKE VINEYARDS WINE DEMO FEATURING TURKEY TACO BLEND SAMPLING

Kroger sampled The Blend in a shared food and wine demo featuring Turkey Taco Blend samples and wine from Cupcake Vineyards Group. The Kroger stores in Houston and Atlanta had three-hour demos at 30 locations. Eight percent of the stores completely "sold out" of mushroom packages; and 90 percent sold 14 or more packages of mushrooms during the event.

To further promote The Blend, the Mushroom Council partnered with Martin's Famous Potato Rolls for a blogger tailgate promotion featuring a new Mushroom Meatball Slider as a featured game day food. The recipe is featured on a blogger site, the Self-Proclaimed Foodie. A recipe round-up of other tailgating recipes is included on the site. Martin's Potato Rolls also featured the recipe along with other Council recipes during September National Mushroom month. To further enhance the promotion, social media and a press release will be distributed.



TRADESHOW PARTICIPATION

- International Dairy, Deli Bakery Associations (IDDBA) tradeshow.
- Appetites + Innovations
- Oldways Supermarket Dietitian Symposium
- FPFC Northern California Expo and FPFC Southern California luncheon

THE VEAL SUMMER GRILLING
SWEEPSTAKES PARTNERSHIP
resulted in

207 THOUSAND

Sweepstakes Entries

the Council received

6,603

 unique email addresses

Increasing our consumer mailing list to

19,293 SUBSCRIBERS

Videos on how to prepare the Veal
Mushroom Blend Sliders reached over

26 THOUSAND

7,516 video views on Youtube

+

over 7,500 total Facebook
and Instagram views.

A notable 500,000 packages with

1 MILLION

 on-pack labels

were distributed to major retail
chains including Food Lion, Kings
Food Market, Weis Markets, Tops
and Redner's with over 1,700
stores participating.



Nutrition Research Program

The Nutrition Research Program identifies and funds research at leading institutions/universities to discover mushrooms' role in a nutritious diet to help improve consumers' health and lower their risk of modifiable chronic diseases. Nutrition research provides the credible scientific base to support consumer and nutrition influencer communications efforts by developing timely nutrition content for the Council's website, e-newsletter Nutrition News about Mushrooms and educational resources for Registered Dietitian Nutritionists; providing content support for other Council program areas; and monitoring/commenting on public policy initiatives that impact mushrooms' role in health promotion.

Key Highlights During 2017

All 5 studies initially funded in 2015 are completed. Abstracts/publications/presentations presented in 2017 are noted here. Other manuscripts are in the draft stage. New research in priority topic areas is anticipated to be identified and initiated in 2018.

Cantorna, Margherita, Penn State University, State College. "Mechanisms by which mushrooms regulate the gut microbiota". Full manuscript drafted; presentation planned for 2018.

Chavarro, Jorge, Harvard School of Public Health, Boston, MA. "Mushroom intake and chronic disease risk in men and women: biomarkers indicative of risk of type 2 diabetes, cardiovascular disease, prostate and breast cancer of nurses and health professionals followed by the Harvard School of Public Health." Abstract prepared for presentation in 2018.

Meydani, Mohsen, USDA Human Nutrition Research Center on Aging, Tufts University, Boston, MA. "Potential prevention of atherosclerosis by edible mushrooms" abstract presented at Experimental Biology, Chicago, April. Full manuscript drafted.

Slavin, Joanne, University of Minnesota, Minneapolis. "Mushrooms enhance satiety and improve gut health markers."

- Effect of *Agaricus bisporus* mushroom consumption on gastrointestinal tolerance and breath hydrogen response in healthy human subjects presented at Probiota 2017 in Berlin.
- Impact of *Agaricus bisporus* mushroom consumption on satiety and food intake published in *Appetite* October.
- Impact of white button (*Agaricus bisporus*) mushroom consumption on satiety and energy intake presented at the Academy of Nutrition Dietetics Food and Nutrition Conference/Exhibition, Chicago, October.
- Abstract on gut health biomarkers prepared for presentation in 2018.

Solano-Aguilar, Sonia, USDA Beltsville Human Nutrition Research Center, Beltsville, MD. "Prebiotic effect of dietary *Agaricus bisporus* mushroom on intestinal microflora composition and host immunological function." Full manuscript drafted.

Previously Completed Research Published

Cheskin, Lawrence, Johns Hopkins Bloomberg School of Public Health, School of Medicine, Baltimore, MD. "Acceptance of a mushroom-soy-beef blend burger among school-aged children" published in *Health Behavior and Policy Review* May.

Kinchla, Amanda, Decker, Eric, Univ. of Massachusetts, Amherst. "Utilizing mushrooms to reduce overall sodium in taco filling using physical and sensory evaluation" published in the *Journal of Food Science* August.



Nutrition Research Program

CONTINUED

Nutrition Influencer Communications – Content for e-newsletter Nutrition News about Mushrooms

- Mushroom Polysaccharides – a Review: Spring
- Anti-Atherogenic Potential of Portobello and Shiitake Mushrooms: Summer
- Mushroom Blend Burger Acceptance in the School Cafeteria: Fall

Nutrition Outreach Program

- Debuted the SureHarvest research demonstrating the unique mushroom sustainability story.



- Promoted the “Impact of *Agaricus bisporus* mushroom consumption on satiety and food intake” study in the October journal *Appetite*, indicating a mushroom-rich breakfast may result in less hunger and a greater feeling of fullness after the mushroom breakfast compared to the meat breakfast.

National Nutrition Policy

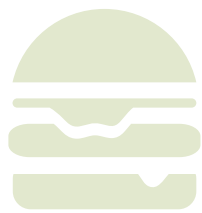
- The co-funding agreement with the U.S. Department of Agriculture, National Institute of Food and Agriculture to investigate the nutrient quality, palatability and consumer acceptability of mushroom/protein blends generated 8 potential projects. Two projects were funded by USDA.
- Implementation date for changes to the Nutrition Facts panel has been extended to 2020.



Consumer Public Relations Program

Events

Activated at Chicago Good Food Festival, Austin Food & Wine, Twin Cities Burger Battle, Mushroom Mardi Gras, Slow Food Nation, Denver Burger Battle, Sturgis and Kennett Square Mushroom Festival.



Achieved

20 THOUSAND
sampling goal

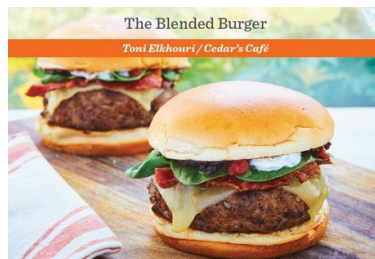
Partnerships

Partnered with Chef'd to debut 5 blended burger kits, starring the winning recipes from 2016 Blended Burger Project™



The Mushroom Monster

Logan Guloff / Logan's Underground Supper Club



The Blended Burger

Toni Elkhouri / Cedar's Cafe

Partnered with the James Beard Foundation on the third year of the Blended Burger Project™, a competition encouraging chefs to build a better burger by blending mushrooms with meat.

Partnered with the Beef Checkoff for the 3rd annual Veal Mushroom Summer Grilling Promotion.



Consumer Public Relations Program

CONTINUED



Social Media Campaigns

Earned nearly

82 MILLION

Total social/digital impressions

Including

62 MILLION

Blend-specific social/digital impressions

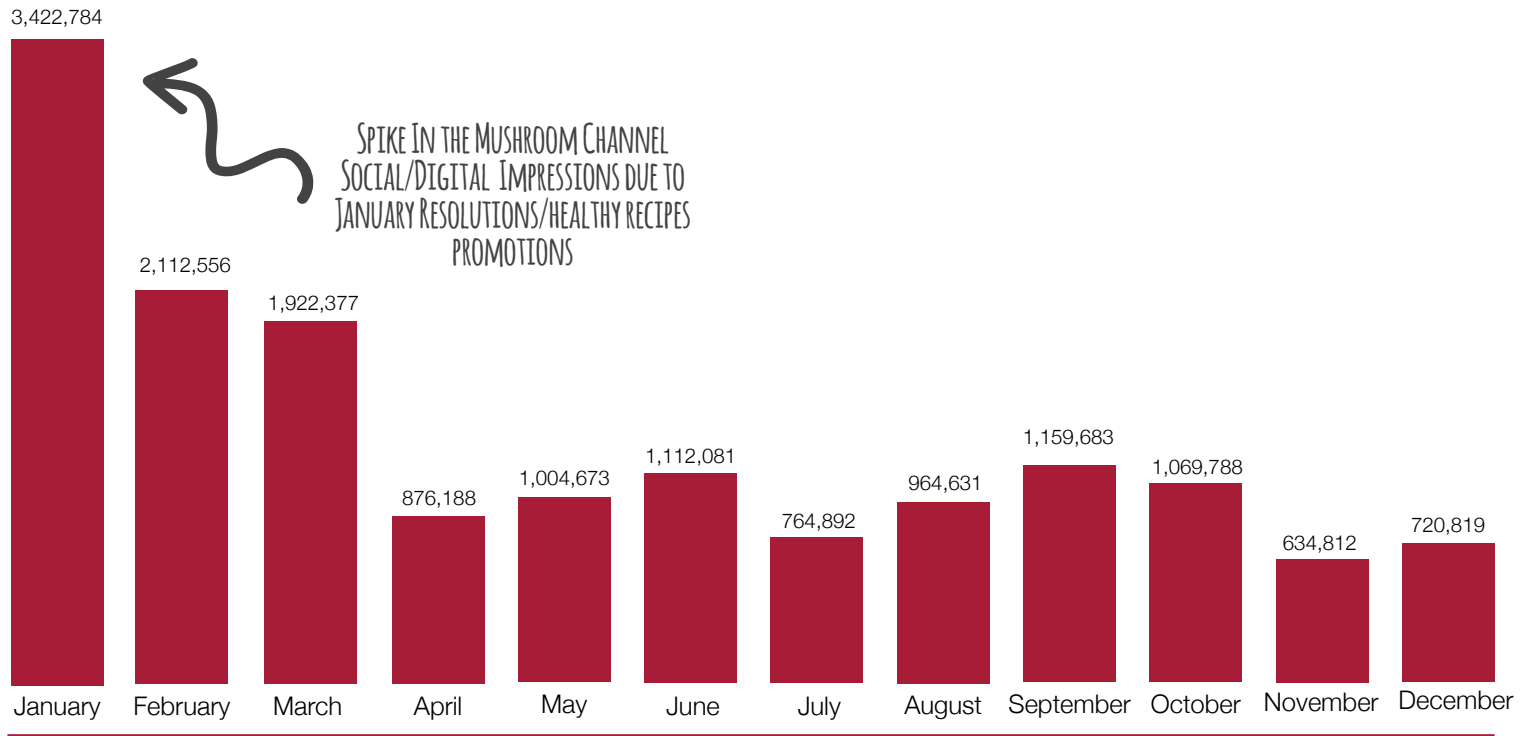
SOCIAL/DIGITAL CAMPAIGNS INCLUDED:

- Shroom-mates: Nutritious Pairings for the Heart & Plate during American Heart Month (partnering with USA Pulses, Tomato Wellness and Nourish with Lamb in the month of February)
- Mushroom Sustainability IQ Test, toolkit and graphics for Earth Month (April)
- “Discover the Blended Burger of Your Dreams” quiz for Burger Month (May)
- “1 Blend: 4 Meals” dinner solutions for Back-to-School (August)
- Shroom Cam (September)
- #TeamBlenditarian contest timed with tailgating (October)

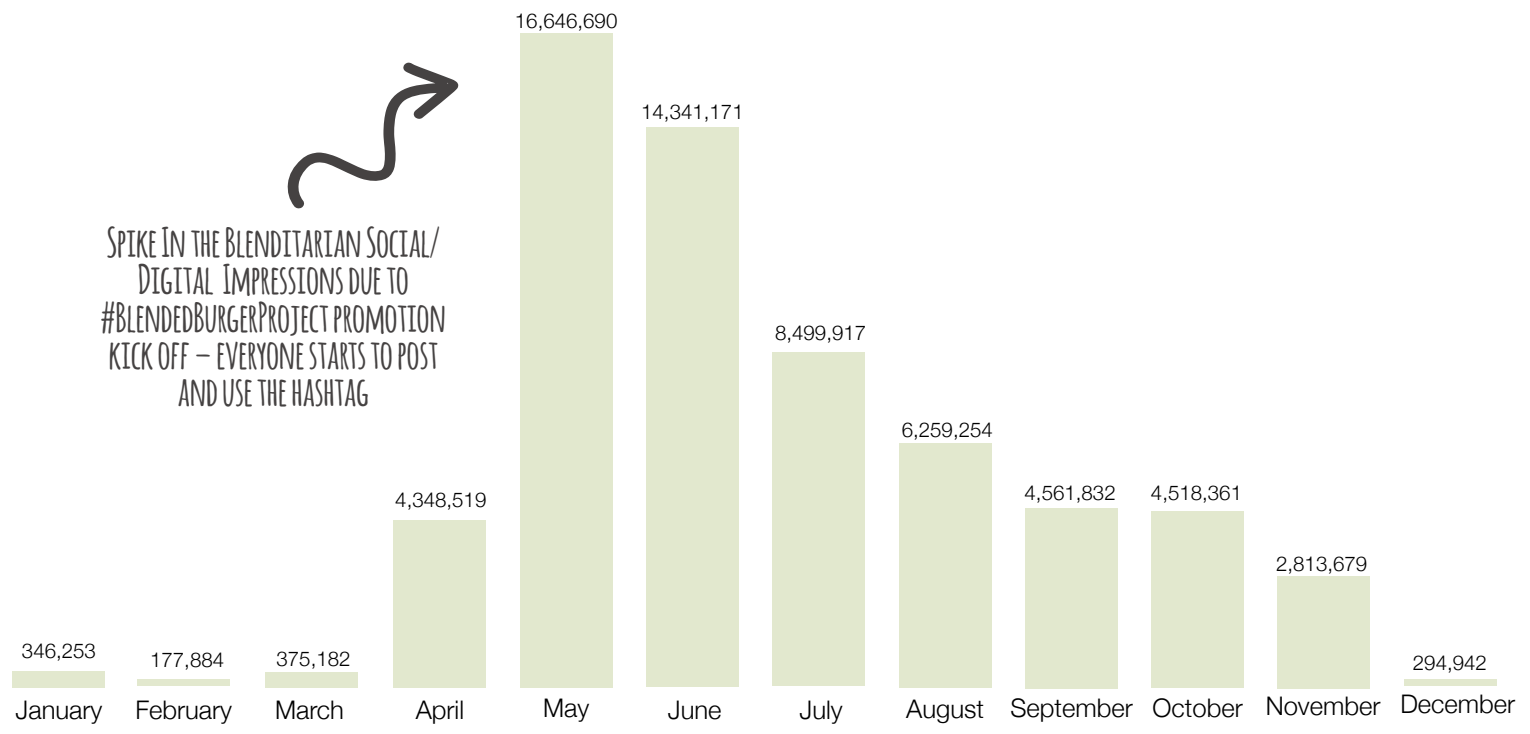


Monthly Mushroom Council + Blend Media Impressions

MUSHROOM CHANNEL SOCIAL/DIGITAL IMPRESSIONS



BLENDITARIAN SOCIAL/DIGITAL IMPRESSIONS



Foodservice Program

The Blend again took center stage in foodservice and accelerated penetration of key targeted market segments as set out in the 5-Year Blend Adoption Plan.

Chains Look To The Blend

While a number of chains have adopted The Blend, it was the news about SONIC Drive-In that set the market abuzz. The fourth largest burger chain in the country, Sonic Drive-In, announced that they were testing The Blend to add as a Limited Time Offer on their menu. The test itself, which was conducted in six markets, became big news as SONIC's CEO was named to *Nation's Restaurant News* as one of the "Fifty Top Influencers" in the market. *Fast Company* and *Food & Wine* were just two of the major national publications that covered the announcement, which was made at the Culinary Institute of America's Menus of Change Conference. The head of SONIC's R&D department, who created the Sonic Slinger with the Council and with SONIC's meat supplier, spoke at the North American Mushroom Conference, as well as at a regional event for the mushroom industry.

Sonic was not the only chain to make news with Mushrooms. By the end of the year, Wendy's and What-a-Burger, two more major burger chains announced that they would promote their own versions of a mushroom burger. Season's 52, one of the early

adopters of The Blend launched a new menu with three different Blended burgers as well as a Blended meatloaf and other mushroom-centric items. A number of foodservice management chains also expanded their use of The Blend. Sodexo became the first to roll out it's burger to all their K-12, Colleges & Universities, Corporate Dining and Healthcare operations. Others joined in creating their own products and distributing them accordingly.



The Blend On Campus

The Mushroom Council began targeting larger public universities with a high number of students in a variety of ways. By working closely with the Culinary Institute of America's Menus of Change for Colleges and Universities, most of the 35+ institutions that participate adopted The Blend either as their main burger in dining halls or in high volume retail establishments. The Council worked directly with many of these universities to create new opportunities for mushrooms on campus at a special menu ideation hosted by CIA. Leveraging the success of James Beard Foundation, the Council launched a Blended Burger Project™ Campus Edition. Universities like Stanford, Harvard, Yale, Penn State, UC Riverside, Rutgers and more participated.



The Blended Burger Project™ ad in the
March/April issue of PLATE Magazine

RATED #1

Attention-Getting, Informative,
Image-Enhancing & Believable



James Beard Foundation's Blended Burger Project™

The 3rd Annual Blended Burger Project™ played host to more than 400 chains, fine-dining restaurants, hotels, food trucks, retail, corporate dining facilities and colleges & universities participated from virtually every state, plus the District of Columbia. Portland chefs, Greg and Gabby Denton, served as spokespersons, and were featured in much of the publicity that comes from the Project. James Beard Foundation, the premiere culinary organization in the nation, continues to aggressively promote the Blended Burger Project™, especially the sustainability aspects of The Blend. The 5 winners will be cooking their blended burgers at the Historic James Beard House in 2018.

- BAREBURGER, New York City, NY
- THE BISTRO AT TOPSAIL, Surf City, NC
- VINTAGE KITCHEN, Norfolk, VA
- HOUSTON YACHT CLUB, La Porte, TX
- CEDAR'S CAFÉ, Melbourne, FL

The competition was a main reason that
Forbes Magazine called The Blend

“THE TOP FOODIE BUZZWORDS OF 2017”



**JAMES
BEARD
FOUNDATION**



School Nutrition Program



During 2017, Mushrooms in Schools focused marketing efforts in 4 states: California, Florida, Georgia and Texas. Mushroom Council culinary and promotion specialists visited large districts

to meet with leaders and attended state School Nutrition Association conferences, as well as the School Nutrition Association's Annual Conference in Atlanta. They shared recipes and resources for IQF and fresh mushrooms – increasing the use of both. Mushroom Council also worked with USDA on a new, more convenient pack size, which was rolled out in the fall for spring 2018 ordering.

NEW PACKAGING 12 - 2.5 LBS IQF MUSHROOMS

This new packaging will allow for easier handling and storage.



Great News for #MUSHROOMSINSCHOOLS

We are delighted to announce that schools can now order USDA IQF Mushrooms in convenient, commercial packaging. This new packaging came directly from school requests for an easier to handle, easier to store pack.

USDA IQF MUSHROOMS

New Pack:
12 - 2.5 pounds IQF Mushrooms

New Code:
USDA Material #110920

Contact SchoolMeals@mushroomcouncil.org
for more information

Mushroom in Schools continues to collaborate with food brands and foodservice management on bringing **kid-friendly blended meat products** to the K12 channel. Two successful examples include an expanded product line of blended items from JTM Food Group, a family-owned and operated corporation based in Ohio, that accepts USDA IQF Mushrooms for processing. JTM recognizes that blending mushrooms with meat provides innovative solutions that help expand portion sizes without adding calories, while increasing vegetable servings.



“Mushrooms help retain moisture in our blended products, and they give our products a boost of flavor and essential vitamins and antioxidants.”

- JTM Food Group

Sodexo and the Mushroom Council continue to highlight the power of blended burgers to satisfy students in the K12 channel. Sodexo continues to serve a school burger that is **75 percent beef (raised without antibiotics or hormones) to 25 percent mushroom blend** – in all schools throughout North America. During the year, more than 5,700,000 blended burgers were served in Sodexo-managed elementary and secondary schools. In addition to foodservice management companies, many self-operated districts large and small continue to introduce and serve blended burgers, often made by regional meat processors from local, grass-fed beef. Districts across New England are serving a blended burger from Arnold's Meat in Chicopee, Massachusetts, and San Luis Coastal Unified School District is served a blended burger processed by Larder Meats in San Luis Obispo, California.

In 2017 more than
5.7 MILLION
Blended Burgers

were served in Sodexo-managed elementary and secondary schools



San Luis Coastal Unified School District is served a blended burger promotions

Independent Auditors Report



Tenney and Company
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT OVER COMPLIANCE IN ACCORDANCE WITH THE MUSHROOM PROMOTION, RESEARCH, AND CONSUMER INFORMATION ACT OF 1990

INDEPENDENT AUDITOR'S REPORT

The Governing Body
Mushroom Council
Redwood City, CA 94065

Report on the Financial Statements

We have audited the financial statements of the governmental activities and the general fund of the Mushroom Council, an instrumentality of the United States Department of Agriculture, as of and for the year ended December 31, 2017, and issued our report dated April 30, 2018. In connection with our audit, we performed procedures to provide the United State Department of Agriculture, Agricultural Marketing Service (USDA/AMS) reasonable assurance that Mushroom Council's Board (Board) complied with the compliance requirements referred to below. Our responsibility is to express an opinion on the Board's compliance with the compliance requirements of the Mushroom Promotion, Research, and Consumer Information Act of 1990.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, and contracts, applicable to the Mushroom Promotion, Research, and Consumer Information Act of 1990.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Board's requirements of the Mushroom Promotion, Research, and Consumer Information Act of 1990 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below that could have a direct and material effect on the Board has occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

Compliance

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of Board's compliance with those requirements. In our opinion, the Board complied in all material respects with the compliance requirements referred to below that are applicable for the year ended December 31, 2017.

1. Complied with the Code of Federal Regulations (7 CFR Part 1209) – Mushroom Promotion, Research, and Consumer Information Order (order), issued by the USDA;
2. Whether funds were used in accordance with USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs, issued September 2015;
3. Complied with the Section 1925, Subsection (h) of the Mushroom Promotion, Research, and Consumer Information Act of 1990 (Act) and Section 1209.53 of the Order, relating to the use of assessment funds for the purpose of influencing governmental policy and action;
4. Whether internal controls over funds met auditing standards;
5. Whether funds were expensed for projects and other expenses authorized in a budget and marketing plan approved by the Board and the USDA;
6. Complied with the by-laws of the Board or any other policy of the Board, specifically as the relate to financial matters, including Board and employee reimbursements, lease commitments, and employee benefits;
7. Obtained a written contract or agreement with any entity or person providing goods and services to the Board; and
8. Complied with the AMS investment policy pertaining to the limitations on the types of investments the Board may purchase and the insurance and collateral that must be obtained for all deposits and investments.

Internal Control Over Compliance

Management of the Board 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 the Board's internal control over compliance with the types of requirements that could have a direct and material effect to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with compliance requirements of Mushroom Promotion, Research, and Consumer Information Act of 1990, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we don express an opinion on the effectiveness of the Board's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered 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 Mushroom Promotion, Research, and Consumer Information Act of 1990. Accordingly, this report is not suitable for any other purpose.

Jenney and Company

April 30, 2018

MUSHROOM COUNCIL
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
For The Year Ended December 31, 2017
(With Comparative Information for December 31, 2016)

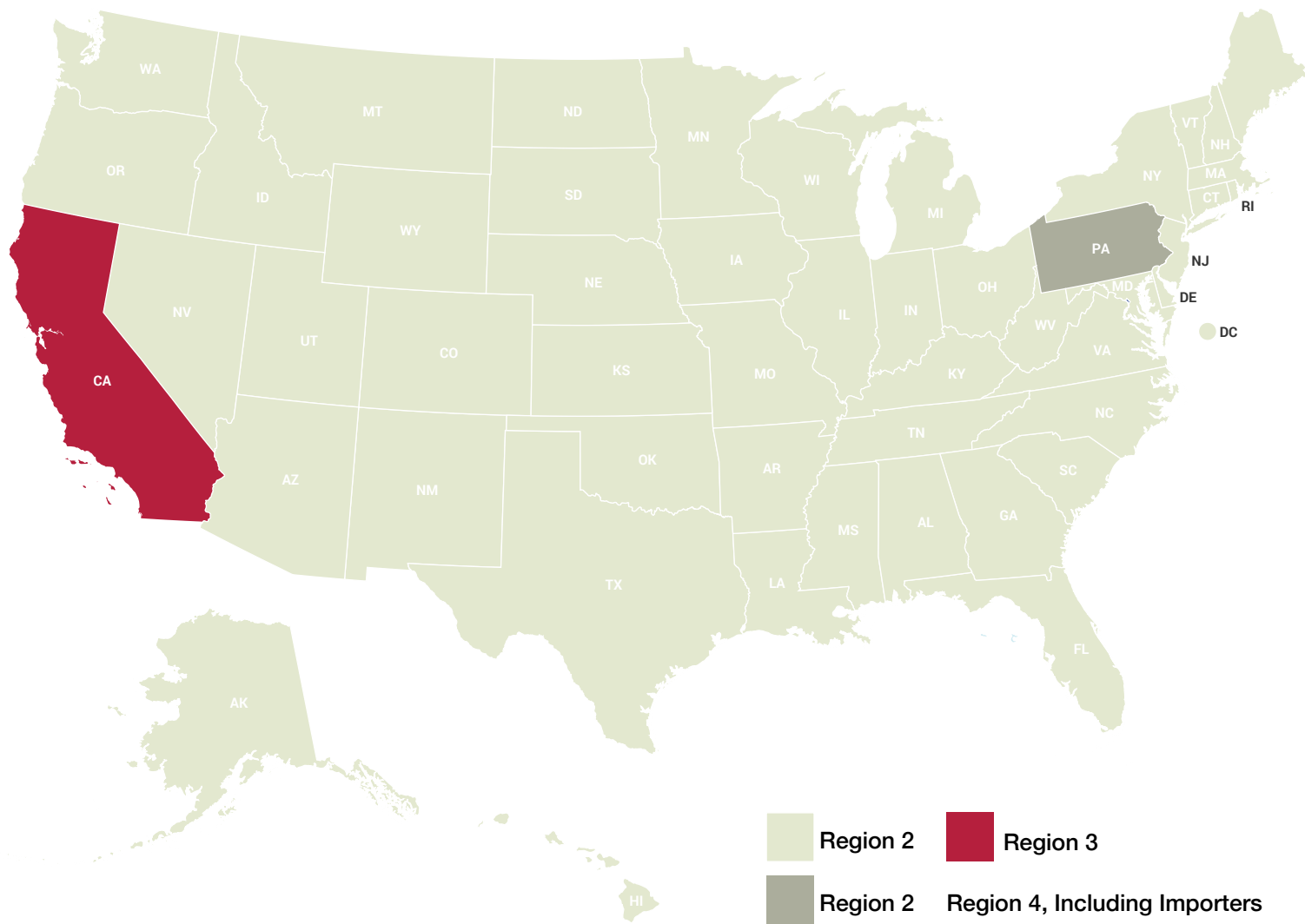
| REVENUES: | <u>2017</u> | <u>2016</u> |
|--|--------------------------------|--------------------------------|
| Assessments: | | |
| Domestic | \$ 4,206,967 | \$ 4,344,939 |
| Imports | 745,286 | 673,578 |
| Other income and interest | <u>15,733</u> | <u>3,844</u> |
| Total Revenues | <u>4,967,986</u> | <u>5,022,361</u> |
| EXPENDITURES: | | |
| Administrative expenditures | 263,774 | 273,176 |
| Government and professional services - including compliance inspections | 184,540 | 168,279 |
| Research and information expenditures | <u>4,728,137</u> | <u>4,581,574</u> |
| Total Expenditures | <u>5,176,451</u> | <u>5,023,029</u> |
| Excess of Expenditures over Revenues | (208,465) | (668) |
| NET POSITION - Beginning of year | <u>1,493,039</u> | <u>1,493,707</u> |
| NET POSITION - End of year | <u><u>\$ 1,284,574</u></u> | <u><u>\$ 1,493,039</u></u> |

The accompanying notes are an integral part of these financial statements.

MUSHROOM COUNCIL
STATEMENTS OF CASH FLOWS
For The Year Ended December 31, 2017
(With Comparative Information for December 31, 2016)

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Excess of revenues over expenditures | \$ (208,465) | \$ (668) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expense | 2,387 | 2,592 |
| Loss (gain) on disposal of capital assets | 951 | - |
| (Increase) decrease in: | | |
| Accounts receivable | 40,675 | 10,992 |
| Prepaid expenses | (50) | 10,172 |
| Increase (decrease) in: | | |
| Accounts payable | 131,282 | 7,301 |
| Accrued wages and payroll taxes | 3,052 | (1,654) |
| Net Cash Used by Operating Activities | <u>(30,168)</u> | <u>28,735</u> |
| NET CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Cash paid for acquisition of capital assets | <u>-</u> | <u>(4,392)</u> |
| Net Cash Used by Financing Activities | <u>-</u> | <u>(4,392)</u> |
| Net Decrease in Cash | (30,168) | 24,343 |
| CASH - beginning of year | <u>1,441,324</u> | <u>1,416,981</u> |
| CASH - end of year | <u>\$ 1,411,156</u> | <u>\$ 1,441,324</u> |

The accompanying notes are an integral part of these financial statements.



Council Members

| YEAR | REGION | COUNCIL MEMBER | POSITION |
|------|--------|--------------------------|------------|
| 2017 | 1 | Pat Jurgensmeyer | Chair |
| | 1 | Michael Stephan | |
| | 2 | Bob Besix | |
| | 2 | Dave Carroll | |
| | 2 | Sonya Beltran | Vice Chair |
| | 2 | Gale Ferranto | |
| | 3 | Robert Murphy | Treasurer |
| | 3 | Fred Fitz, Jr. | |
| | 4 | Elizabeth O'Neil Meuregh | Secretary |
| 2016 | 1 | Pat Jurgensmeyer | Chair |
| | 1 | Michael Stephan | |
| | 2 | Bob Besix | |
| | 2 | Dave Carroll | |
| | 2 | Sonya Beltran | Vice Chair |
| | 2 | Gale Ferranto | |
| | 3 | Robert Murphy | Treasurer |
| | 3 | Fred Fitz, Jr. | |
| | 4 | Elizabeth O'Neil Meuregh | Secretary |

| YEAR | REGION | COUNCIL MEMBER | POSITION |
|------|--------|--------------------------|------------|
| 2015 | 2 | Tony D'Amico | Chair |
| | 1 | Pat Jurgensmeyer | Vice Chair |
| | 4 | Elizabeth O'Neil Meuregh | Secretary |
| | 1 | Michael Stephan | |
| | 2 | Dave Carroll | |
| | 2 | Jim Angelucci | |
| | 2 | Gale Ferranto | Treasurer |
| | 3 | Robert Murphy | |
| | 3 | Roberto Ramirez | |
| 2014 | 2 | Tony D'Amico | Chair |
| | 2 | Dave Carroll | |
| | 1 | Pat Jurgensmeyer | Vice Chair |
| | 4 | Elizabeth O'Neil | Secretary |
| | 3 | Roberto Ramirez | |
| | 2 | Jim Angelucci | |
| | 2 | Gale Ferranto | Treasurer |
| | 1 | Charles Bosi | |
| | 3 | Robert Murphy | |
| 2013 | 3 | Joe Caldwell | |
| | 2 | Tony D'Amico | Vice Chair |
| | 1 | Fletcher Street | Chair |
| | 2 | Dave Carroll | |
| | 1 | Pat Jurgensmeyer | Treasurer |
| | 4 | Elizabeth O'Neil | Secretary |
| | 3 | Roberto Ramirez | |
| | 2 | Jim Angelucci | |
| | 2 | Gale Ferranto | |
| 2012 | 2 | Jim Angelucci | |
| | 2 | Jim Howard | |
| | 3 | Roberto Ramirez | |
| | 3 | Joe Caldwell | Chair |
| | 2 | Tony D'Amico | Treasurer |
| | 1 | Fletcher Street | Vice Chair |
| | 2 | Dave Carroll | |
| | 1 | Pat Jurgensmeyer | |
| | 4 | Elizabeth O'Neil | Secretary |
| 2011 | 2 | Greg Sagan | |
| | 2 | Jim Angelucci | |
| | 1 | Greg McLain | |
| | 2 | Jim Howard | |
| | 4 | Hank Vander Pol | Secretary |
| | 3 | Roberto Ramirez | |
| | 3 | Joe Caldwell | Chair |
| | 2 | Tony D'Amico | Treasurer |
| | 1 | Fletcher Street | Vice Chair |
| 2010 | 2 | Greg Sagan | |
| | 2 | Jim Angelucci | |
| | 1 | Greg McLain | Chair |
| | 2 | Jim Howard | |
| | 4 | Hank Vander Pol | Secretary |
| | 3 | Roberto Ramirez | |
| | 3 | Joe Caldwell | Vice Chair |
| | 2 | Kathleen Lafferty | |
| | 1 | Fletcher Street | Treasurer |

| YEAR | REGION | COUNCIL MEMBER | POSITION |
|------|--------|--------------------------|------------|
| 2009 | 2 | Greg Sagan | Chair |
| | 1 | Virgil Jurgensmeyer | |
| | 1 | Greg McLain | |
| | 2 | Paul Frederic | Secretary |
| | 4 | Hank Vander Pol | Vice Chair |
| | 3 | Robert Crouch | |
| | 3 | Joe Caldwell | |
| | 2 | Kathleen Lafferty | Treasurer |
| | 1 | Fletcher Street | |
| 2008 | 2 | Carla Blackwell-McKinney | Chair |
| | 1 | Virgil Jurgensmeyer | Vice Chair |
| | 1 | Greg McLain | |
| | 2 | Paul Frederic | Secretary |
| | 5 | Hank Vander Pol | |
| | 3 | Robert Crouch | Treasurer |
| | 3 | Joe Caldwell | |
| | 2 | Kathleen Lafferty | |
| | 1 | Fletcher Street | |
| 2007 | 2 | Carla Blackwell-McKinney | Vice Chair |
| | 4 | Curtis Jurgensmeyer | Chair |
| | 4 | Greg McLain | Treasurer |
| | 2 | Lynn James Angelucci | |
| | 3 | Charlee Kelly | |
| | 1 | Lynn Mortensen | |
| | 2 | Paul Frederic | |
| | 5 | Hank Vander Pol | Secretary |
| | 3 | Robert Crouch | |
| 2006 | 2 | Carla Blackwell-McKinney | Vice Chair |
| | 4 | Curtis Jurgensmeyer | Chair |
| | 4 | Greg McLain | Treasurer |
| | 2 | James Angelucci | |
| | 3 | Charlee Kelly | |
| | 1 | Lynn Mortensen | |
| | 2 | Michael Pratola | |
| | 5 | Hank Vander Pol | Secretary |
| | 3 | Robert Crouch | |
| 2005 | 2 | Carla Blackwell-McKinney | Treasurer |
| | 4 | Curtis Jurgensmeyer | Vice Chair |
| | 4 | Darrell McLain | Chair |
| | 2 | James Angelucci | |
| | 3 | Charlee Kelly | |
| | 1 | Vacant | |
| | 2 | Michael Pratola | |
| | 5 | Murray O'Neil | |
| | 3 | Robert Crouch | |
| 2004 | 2 | Carla Blackwell-McKinney | Treasurer |
| | 4 | Curtis Jurgensmeyer | Secretary |
| | 4 | Darrell McLain | Chair |
| | 2 | James Angelucci | |
| | 3 | John Davids | |
| | 1 | Lisa Hemker | Vice Chair |
| | 2 | Michael Pratola | |
| | 5 | Murray O'Neil | |
| | 3 | Robert Crouch | |

| YEAR | REGION | COUNCIL MEMBER | POSITION |
|------|--------|--------------------------|------------|
| 2003 | 3 | Carl Fields | Vice Chair |
| | 2 | Carla Blackwell-McKinney | Treasurer |
| | 4 | Curtis Jurgensmeyer | Secretary |
| | 2 | Dan Lucovich | Chair |
| | 4 | Darrell McLain | |
| | 2 | James Angelucci | |
| | 3 | John Davids | |
| | 5 | Murray O'Neil | |
| | 1 | Wilhelm Meya | |
| 2002 | 3 | Carl Fields | Vice Chair |
| | 2 | Chris Alonzo | |
| | 2 | Dan Lucovich | |
| | 4 | Darrell McLain | |
| | 1 | Greg Sagan | Chair |
| | 2 | James Angelucci | |
| | 3 | John Davids | |
| | 3 | Robert Crouch | |
| 2001 | 1 | Wilhelm Meya | Chair |
| | 2 | Charles Brosius | |
| | 3 | Carl Fields | |
| | 2 | Chris Alonzo | |
| | 2 | Dan Lucovich | Secretary |
| | 4 | Darrell McLain | Treasurer |
| | 1 | Greg Sagan | Vice Chair |
| | 3 | John Davids | |
| 2000 | 3 | Robert Crouch | |
| | 1 | Wilhelm Meya | Chair |
| | 2 | Charles Brosius | |
| | 2 | Chris Alonzo | |
| | 3 | Clark Smith | |
| | 4 | Darrell McLain | Secretary |
| | 2 | James Angelucci | Vice Chair |
| | 3 | John Davids | |
| 1999 | 3 | Shah Kazemi | |
| | 1 | Greg Sagan | |
| | 1 | Vacant | Treasurer |
| | 2 | Charles Brosius | Chair |
| | 2 | Edward Leo | |
| | 1 | Jack Reitnauer | |
| | 2 | James Angelucci | |
| | 1 | James Howard | Vice Chair |
| 1998 | 3 | John Davids | |
| | 3 | Shah Kazemi | |
| | 4 | Virgil Jurgensmeyer | |
| | 3 | William Street, Sr. | |
| | 3 | Douglas Tanner | Chair |
| | 2 | Edward Leo | |
| | 1 | Jack Reitnauer | |
| | 2 | James Angelucci | |
| 1998 | 1 | James Howard | Vice Chair |
| | 2 | Roger Claypoole | |
| | 3 | Shah Kazemi | |
| | 4 | Virgil Jurgensmeyer | |
| | 3 | William Street, Sr. | Secretary |
| | | | Treasurer |

| YEAR | REGION | COUNCIL MEMBER | POSITION |
|------|--------|---------------------|---------------------|
| 1997 | 3 | Douglas Tanner | Vice Chair |
| | 2 | Edward Leo | |
| | 2 | James Angelucci | |
| | 1 | Robert Miller | Chair |
| | 2 | Roger Claypoole | |
| | 3 | Shah Kazemi | |
| | 4 | Virgil Jurgensmeyer | Secretary |
| | 1 | Wilhelm Meya | |
| | 3 | William Street, Sr. | Treasurer |
| 1996 | 3 | Douglas Tanner | Secretary |
| | 2 | James Angelucci | Vice Chair |
| | 2 | James Ciarrochi | Treasurer Chair |
| | 3 | John Haltom | |
| | 1 | Robert Miller | |
| | 2 | Roger Claypoole | |
| | 3 | Shah Kazemi | |
| | 4 | Virgil Jurgensmeyer | |
| | 1 | Wilhelm Meya | |
| 1995 | 3 | Douglas Tanner | Secretary |
| | 2 | Edward Leo | |
| | 2 | James Angelucci | |
| | 2 | James Ciarrocchi | Treasurer Chair |
| | 3 | John Haltom | |
| | 1 | Robert Miller | |
| | 3 | Shah Kazemi | Vice Chair |
| | 4 | Virgil Jurgensmeyer | |
| | 1 | Wilhelm Meya | |
| 1994 | 3 | Douglas Tanner | Secretary |
| | 2 | Edward Leo | |
| | 2 | James Ciarrocchi | |
| | 3 | John Haltom | Treasurer |
| | 2 | Michael Pia | |
| | 1 | Robert Miller | |
| | 4 | Virgil Jurgensmeyer | Chair Vice Chair |
| | 1 | Wilhelm Meya | |
| | 3 | William Street, Sr. | |
| 1993 | 3 | Douglas Tanner | Secretary |
| | 2 | Edward Leo | |
| | 2 | James Ciarrocchi | |
| | 3 | John Haltom | Treasurer |
| | 2 | Michael Pia | |
| | 1 | Robert Miller | |
| | 4 | Virgil Jurgensmeyer | Chair Vice Chair |
| | 1 | Wilhelm Meya | |
| | 3 | William Street, Sr. | |



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