

Softwood Lumber Board

Report to the Finance Committee
April 6, 2018





RSM US LLP

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April 6, 2018

Finance Committee
Softwood Lumber Board
Washington, D.C.

We are pleased to present this report related to our audit of the financial statements of Softwood Lumber Board (SLB) as of and for the year ended December 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for SLB's financial reporting process.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to SLB.

RSM US LLP

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	<p>Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated December 15, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.</p>
Overview of the Planned Scope and Timing of the Financial Statement Audit	<p>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.</p>
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. In addition, within Note 1 of the financial statements, SLB disclosed financial risk related to cash held in bank accounts.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by SLB. SLB did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>The following is a summary of pending accounting pronouncements:</p> <ul style="list-style-type: none">• Pending pronouncement Accounting Standard Update (ASU) No. 2016-14, <i>Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities</i>• ASU No. 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i>. <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>

Area	Comments
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communication Between Management and Our Firm	A copy of the significant written communication between our firm and the management of SLB, which is the representation letter provided to us by management, is attached as Exhibit A.
Departure From Auditor's Standard Report	We added an Emphasis of Matter paragraph in the auditor's report due to the details noted in Note 6 to the financial statements. Our opinion is not modified with respect to this matter.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the SLB’s December 31, 2017, financial statements.

<u>Estimate</u>	<u>Accounting Policy</u>	<u>Management’s Estimation Process</u>	<u>Basis for Our Conclusions on Reasonableness of Estimate</u>
Assessments receivable	SLB estimates the receivables to record at year-end, based on prior year production of members. SLB writes off receivables when there is high certainty of no collection.	Receivables are reviewed by management on periodic basis to determine if outstanding receivables are uncollectible.	<p>We reviewed and tested the assessments receivable schedule as of December 31, 2017.</p> <p>We discussed with managements collectability of receivables.</p> <p>We tested cash receipts received in 2018 that related to receivables outstanding at December 31, 2017.</p>

Exhibit A—Significant Written Communication Between Management and Our Firm



April 6, 2018

RSM US LLP
1250 H Street N.W., Suite 600
Washington, D.C., 2005

This representation letter is provided in connection with your audits of the financial statements of Softwood Lumber Board (SLB), which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of April 6, 2018:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated December 15, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. There are no known actual or possible litigation or claims against SLB.

8. The selection and application of accounting policies are appropriate. We further represent the following are properly recorded and/or disclosed in the financial statements:
 - a. Our tax status, which is exempt as SLB is an instrumentality of USDA. In that regard, we have evaluated the tax position under the two step approach for recognition and measurement of uncertain tax positions required by the Income Taxes Topic of the FASB Accounting Standards Codification.
 - b. Refundable grant advance, which is titled "Advance from U.S. Tall Wood Competition."
 - c. Board designated net assets.
 - d. Our discussion with USDA and determination that the standards issued by Financial Accounting Standards Board are most applicable for the users of our financial statements.
9. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

10. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audits;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All transactions have been recorded in the accounting records and are reflected in the financial statements.
12. It is our responsibility to establish and maintain internal controls over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
13. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

- a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the SLB's financial statements received in communications from employees, former employees, regulators or others.
 15. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
 16. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.
 17. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect SLB's ability to record, process, summarize and report financial data.
 18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 19. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

20. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no significant assumptions of interpretations regarding the measurements or presentation of such information.

- e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

Compliance Considerations

In connection with your audits conducted in accordance with *Government Auditing Standards*, we confirm that management:

21. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
22. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
23. Has not identified any instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
24. Has not identified any instances that have occurred, or are likely to have occurred of noncompliance with provisions of contracts and grant agreements that have material effects on the determination of financial statement amounts.
25. Has not identified any instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
26. Is responsible for the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
27. Acknowledges its responsibility for design, implementation and maintenance of internal controls to prevent and detect fraud.
28. Has a process to track the status of audit findings and recommendations.
29. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.
30. We make the following representations related to your additional compliance report to Promotion and Economics Division of the Agricultural Marketing Services of the U.S. Department of Agriculture by letter dated April 6, 2018

- a. We have complied with laws and regulations and USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs applicable to Softwood Lumber Board.
- b. We have complied with the Softwood Lumber Research, Promotion, Consumer Education and Industry Information Order of the Agricultural Marketing Services (AMS) of the U.S. Department of Agriculture (USDA) relating to the use of assessment funds for the purpose of influencing legislation or governmental policy or action.
- c. We have not expended assessment funds for purposes other than those authorized by the Commodity Promotion, Research and Information Act of 1996 and the Softwood Lumber Research, Promotion, Consumer Education and Industry Information Order.
- d. We have not expended or obligated assessment funds on any projects prior to the fiscal year in which those funds were authorized to be expended by Softwood Lumber Board's approval Budget and Marketing Plan.
- e. We have adhered to the original or amended Budget and Marketing Plan Approved by USDA for the year ended December 31, 2017.
- f. We obtained a written contract or agreement with any person or entity providing goods or services to Softwood Lumber Board.
- g. We complied with USDA-AMS Directive 2210.2, relating to the limitations on the types of investments that may be purchased by Softwood Lumber Board and the insurance or collateral that must be obtained for all Softwood Lumber Board deposits and investments.
- h. We complied with disclosure requirements for lease commitments.
- i. We complied with standards established relating to contracts and USDA approval letters (if necessary).
- j. We complied with the By-Laws of Softwood Lumber Board or any other policy of Softwood Lumber Board, specifically as they relate to all financial matters, including time and attendance, and travel.

Sincerely,

Softwood Lumber Board

A handwritten signature in black ink, appearing to read "S. Lovett", written in a cursive style.

Stephen M Lovett
Chief Executive Officer