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December 27, 2016

Mr. Greg Harris, President
The Council for Burley Tobacco
P.O. Box 910546
Lexington, KY 40591-0546

Dear Greg:

In accordance with the agreement between the Burley Tobacco Growers Cooperative Association and The Council for Burley Tobacco, Inc. "the Association will deliver promptly to the Council a copy of its regularly employed certified public accountant's annual audit of the money received each year from the Council." Please find attached the annual audit for the fiscal year ending September 30, 2016 as required per agreement.

We look forward to the future to work together to promote burley tobacco.

Thank you for your service.

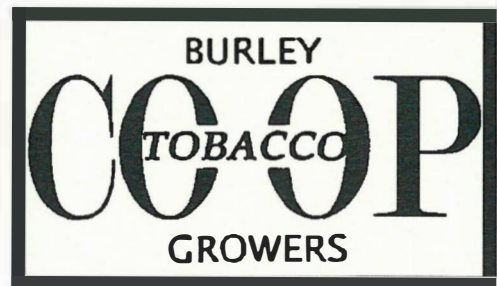
If you have any questions please feel free to contact me anytime.

Steve Pratt

General Manager,
Burley Tobacco Growers Cooperative Association
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***BURLEY SALES PROMOTION FUND OF
THE BURLEY TOBACCO GROWERS
COOPERATIVE ASSOCIATION***

STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016, AND INDEPENDENT
AUDITOR'S REPORT



**BURLEY SALES PROMTION FUND OF THE
BURLEY TOBACCO GROWERS COOPERATIVE ASSOCIATION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Burley Tobacco Growers Cooperative Association

We have audited the accompanying statement of cash receipts and disbursements of the Burley Sales Promotion Fund of the Burley Tobacco Growers Cooperative Association (the "Fund") for the fiscal year ended September 30, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 statement.

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 statement referred to in the first paragraph presents fairly, in all material respects, the statement of cash receipts and disbursements of the Burley Sales Promotion Fund of the Burley Tobacco Growers Cooperative Association for the fiscal year ended September 30, 2016, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Breeding Henderson & Hod PLLC

December 14, 2016

**BURLEY SALES PROMOTION FUND OF THE
BURLEY TOBACCO GROWERS COOPERATIVE ASSOCIATION**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

CASH RECEIPTS:

Council for Burley Tobacco, Inc., funding	\$ 47,078
Interest income	800
Total cash receipts	<u>47,878</u>

CASH DISBURSEMENTS:

Donations	57,500
Travel for burley promotion	13,092
Advertising and promotion	42,004
Dues and subscriptions	6,267
Miscellaneous	120
Total cash disbursements	<u>118,983</u>

**EXCESS OF CASH DISBURSEMENTS
OVER CASH RECEIPTS**

(71,105)

CASH, beginning of fiscal year

193,220

CASH, end of fiscal year

\$ 122,115

See accompanying notes to financial statement.

**BURLEY SALES PROMOTION FUND OF THE
BURLEY TOBACCO GROWERS COOPERATIVE ASSOCIATION**

**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS

This summary of significant accounting policies of the Burley Sales Promotion Fund (the "Fund") of the Burley Tobacco Growers Cooperative Association (the "Association") is presented to assist in understanding the Fund's statement of cash receipts and disbursements (the "financial statement"). The financial statement and related notes are representations of the Association's management who are responsible for their integrity and objectivity. These accounting policies conform to the cash receipts and disbursements method of accounting and have been consistently applied in the preparation of the accompanying financial statement.

Nature of Operations – The Fund was established by the Association to promote, foster, and encourage the marketing of tobacco for the benefit of its members, who are located in Kentucky.

Basis of Accounting – The financial statement of the Fund has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the financial statement.

Basis of Presentation – The accounts of the Fund are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to their nature and purpose. The Fund is restricted for promoting the sale of tobacco.

Income Taxes – The Fund is a temporarily restricted fund within the Association. The Association's policy is not to pay income taxes on the excess of cash receipts over disbursements because of the Fund's restricted nature. Temporarily restricted funds are required to be expended in accordance with externally imposed restrictions. Any applicable income taxes on unexpended fund balances are accrued by the general fund of the Association.

Subsequent Events – Events and transactions that provide additional evidence about conditions that existed as of September 30, 2016, have been evaluated and, if required, adjusted in the financial statement and/or disclosed in the notes to the statement of cash receipts and disbursements through the auditors' report date, December 14, 2016, which is the date the financial statement was available to be issued.

2. CONCENTRATION OF CREDIT RISK

The Fund maintains its cash balance with a financial institution in Lexington, Kentucky. The balance in this account may, at times, exceed federally insured limits. In August 2010, the Federal Deposit Insurance Corporation ("FDIC") amended its insurance regulations to conform with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which

**BURLEY SALES PROMOTION FUND OF THE
BURLEY TOBACCO GROWERS COOPERATIVE ASSOCIATION**

**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016 (continued)**

permanently increased the standard maximum deposit insurance amount from \$100,000 to \$250,000, effective July 22, 2010. The Fund has not experienced any losses in such accounts and the Fund's management believes the Fund is not exposed to any significant credit risk on cash.

3. CASH RECEIPTS CONCENTRATION

The primary source of the Fund's cash receipts is the Council for Burley Tobacco, Inc., which accounts for 98% of total cash receipts.
