

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Financial Statements

September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

**CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD
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SEPTEMBER 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cattlemen's Beef Promotion and Research Board
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Cattlemen's Beef Promotion and Research Board (the Board), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of September 30, 2021 and 2020, the related statements of revenues, expenses, and changes in net assets without donor restriction – modified cash basis, the statements of functional expenses – modified cash basis 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements 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.

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 audit 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 auditor considers 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 assets, liabilities, and net assets – modified cash basis of the Board as of September 30, 2021 and 2020, and its revenues, expenses, and changes in net assets without donor restriction – modified cash basis, and the statements of functional expenses – modified cash basis for the years then ended, in accordance with the basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary statements of assessment revenues by state – modified cash basis are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the 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 solely 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 effectiveness of the Board's 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 the Board's internal control over financial reporting and compliance.

Other Matters

In connection with our audits, nothing came to our attention that caused us to believe the Board failed to comply with the provisions of the Beef Promotion and Research Act of 1985 (the Act) and the Beef Promotion and Research Order (the Order) related to the use of funds collected by the Board insofar as they relate to accounting matters. Further, in connection with our audits, nothing came to our attention that caused us to believe the Board was not in compliance with the terms of Section 1260.149(f) of the Order, or with the terms of the Agricultural Marketing Service (AMS) Investment Policy as revised by the AMS on April 6, 2015, which describe the type of instruments in which the Board may invest, insofar as they relate to accounting matters. Further, in connection with our audits, nothing came to our attention that caused us to believe that the Board failed to comply with Section 5D of the United States Department of Agriculture (USDA) Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs (Guidelines), dated January 2020, insofar as they relate to the following:

- Monetary funds used for the purpose of influencing governmental policy or action
- Adherence to the Agricultural Marketing Service investment policy
- Monetary funds used only for projects and other expenses authorized in a budget approved by the USDA
- Monetary funds used in accordance with the Guidelines referenced above.

However, our audits were not directed primarily towards obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Board's noncompliance with the above referenced Act, Order, AMS Investment Policy, and Section 5D of the USDA Guidelines insofar as they relate to accounting matters.

The report is intended solely for the information and use of the members of the Board and its management, the Audit Committee, and the United States Department of Agriculture and is not intended to be, and should not be, used by anyone other than these specific parties.



CliftonLarsonAllen LLP

Denver, Colorado
December 10, 2021

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Statement of Assets, Liabilities, and Net Assets

(Modified Cash Basis, Note 2)

September 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents (Note 3)	\$21,812,035	\$ 15,281,812
Short-Term Investments (Note 3)	2,500,000	5,500,000
Long-Term Investments (Note 3)	-	2,500,000
Capital Assets, net of accumulated depreciation of \$42,746 and \$39,170, respectively	17,523	21,228
Other	<u>1,471</u>	<u>9,240</u>
Total Assets	<u>\$24,331,029</u>	<u>\$23,312,280</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Due to State Beef Councils and Other	\$ 9,719	\$ 27,007
Total Liabilities	9,719	27,007
Net Assets - Without Donor Restriction (Note 6):		
Designated for future expenses	17,978,063	17,497,459
Designated - Board reserve	4,350,000	4,350,000
Undesignated	<u>1,993,247</u>	<u>1,437,814</u>
Total Net Assets	<u>24,321,310</u>	<u>23,285,273</u>
Total Liabilities and Net Assets	<u>\$24,331,029</u>	<u>\$23,312,280</u>

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

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Statement of Revenues, Expenses, and Changes in Net Assets Without Donor Restriction

(Modified Cash Basis, Note 2)

For The Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES:		
Assessments	\$42,627,123	\$41,541,515
Interest	98,086	293,224
Other	<u>86,921</u>	<u>46,255</u>
Total revenues	<u>42,812,130</u>	<u>41,880,994</u>
EXPENSES:		
Program Expenses -		
Promotion	8,641,332	10,206,858
Research	8,838,176	8,349,734
Consumer Information	8,160,511	7,260,148
Industry Information	3,138,923	3,392,835
Foreign Marketing	8,479,193	6,933,262
Checkoff Communications	171,679	-
Producer Communications	1,568,937	1,553,796
Program Evaluation	263,087	202,046
Program Development	<u>316,474</u>	<u>388,847</u>
Total program expenses	39,578,312	38,287,526
Supporting Services -		
USDA Oversight	695,634	761,214
Administration (Note 5)	<u>1,502,147</u>	<u>1,505,256</u>
Total expenses	<u>41,776,093</u>	<u>40,553,996</u>
Change in net assets	1,036,037	1,326,998
Beginning Net Assets Without Donor Restriction	<u>23,285,273</u>	<u>21,958,275</u>
Ending Net Assets Without Donor Restriction	<u>\$24,321,310</u>	<u>\$23,285,273</u>

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

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Statement of Functional Expenses

(Modified Cash Basis, Note 2)

For The Year Ended September 30, 2021

	Program Expenses										Total Program Expenses
	Promotion	Research	Consumer Information	Industry Information	Foreign Marketing	Checkoff Communications	Producer Communications	Program Evaluation	Program Development		
Professional and Other Contract Service Fees - Direct	\$ 6,520,635	\$ 5,024,740	\$ 4,630,911	\$ 1,145,963	\$ 6,324,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,647,191
Professional and Other Contract Service Fees - Implementation	2,120,697	3,813,436	3,529,600	1,992,960	2,154,251	-	-	-	-	-	13,610,944
Salaries and Wages	-	-	-	-	-	78,840	85,991	78,472	115,034	-	358,337
Payroll Taxes and Employee Benefits	-	-	-	-	-	24,872	27,128	24,755	36,290	-	113,045
USDA Oversight Fees	-	-	-	-	-	-	-	-	-	-	-
Professional and Other Contract Service Fees	-	-	-	-	-	41,898	1,401,374	133,210	26,023	-	1,602,505
Travel and Transportation	-	-	-	-	-	4,015	7,810	3,500	100,419	-	115,744
Office Rent	-	-	-	-	-	11,018	9,836	8,189	12,888	-	41,931
Insurance	-	-	-	-	-	1,782	1,591	1,325	2,085	-	6,783
Equipment Rental	-	-	-	-	-	875	9,713	3,708	10,263	-	24,559
Other	-	-	-	-	-	8,379	25,494	9,928	13,472	-	57,273
Total Expenses	\$ 8,641,332	\$ 8,838,176	\$ 8,160,511	\$ 3,138,923	\$ 8,479,193	\$ 171,679	\$ 1,568,937	\$ 263,087	\$ 316,474	\$ -	\$ 39,578,312

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

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Statement of Functional Expenses (continued)

(Modified Cash Basis, Note 2)

For The Year Ended September 30, 2021

	Supporting Services		
	USDA Oversight	Administration	Total Expenses
Professional and Other Contract			
Service Fees - Direct	\$ -	\$ -	\$ 23,647,191
Professional and Other Contract			
Service Fees - Implementation	-	-	13,610,944
Salaries and Wages	40,687	813,551	1,212,575
Payroll Taxes and Employee			
Benefits	12,703	242,221	367,969
USDA Oversight Fees	598,924	-	598,924
Professional and Other Contract			
Service Fees	36,359	148,826	1,787,690
Travel and Transportation	-	160,503	276,247
Office Rent	4,027	60,786	106,744
Insurance	651	9,833	17,267
Equipment Rental	229	15,777	40,565
Other	2,054	50,650	109,977
Total Expenses	\$ 695,634	\$ 1,502,147	\$ 41,776,093

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

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Statement of Functional Expenses

(Modified Cash Basis, Note 2)

For The Year Ended September 30, 2020

	Program Expenses									Total Program Expenses
	Promotion	Research	Consumer Information	Industry Information	Foreign Marketing	Checkoff Communications	Producer Communications	Program Evaluation	Program Development	
Professional and Other Contract										
Service Fees - Direct	\$ 8,254,294	\$ 4,201,649	\$ 3,440,677	\$ 1,337,061	\$ 4,657,186	\$ -	\$ -	\$ -	\$ -	\$ 21,890,867
Professional and Other Contract										
Service Fees - Implementation	1,952,564	4,148,085	3,819,471	2,055,774	2,276,076	-	-	-	-	14,251,970
Salaries and Wages	-	-	-	-	-	-	86,578	36,642	124,635	247,855
Payroll Taxes and Employee										
Benefits	-	-	-	-	-	-	25,899	10,961	37,284	74,144
USDA Oversight Fees	-	-	-	-	-	-	-	-	-	-
Professional and Other Contract										
Service Fees	-	-	-	-	-	-	1,366,717	138,893	61,878	1,567,488
Travel and Transportation	-	-	-	-	-	-	11,051	3,510	104,190	118,751
Office Rent	-	-	-	-	-	-	12,405	4,260	15,589	32,254
Insurance	-	-	-	-	-	-	2,165	744	2,721	5,630
Equipment Rental	-	-	-	-	-	-	770	1,741	25,871	28,382
Other	-	-	-	-	-	-	48,211	5,295	16,679	70,185
Total Expenses	\$ 10,206,858	\$ 8,349,734	\$ 7,260,148	\$ 3,392,835	\$ 6,933,262	\$ -	\$ 1,553,796	\$ 202,046	\$ 388,847	\$ 38,287,526

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

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Statement of Functional Expenses (continued)

(Modified Cash Basis, Note 2)

For The Year Ended September 30, 2020

	Supporting Services		Total Expenses
	USDA Oversight	Administration	
Professional and Other Contract			
Service Fees - Direct	\$ -	\$ -	\$ 21,890,867
Professional and Other Contract			
Service Fees - Implementation	-	-	14,251,970
Salaries and Wages	48,770	731,695	1,028,320
Payroll Taxes and Employee			
Benefits	11,152	226,655	311,951
USDA Oversight Fees	599,989	-	599,989
Professional and Other Contract			
Service Fees	88,641	155,950	1,812,079
Travel and Transportation	2,317	215,755	336,823
Office Rent	5,363	74,449	112,066
Insurance	937	12,996	19,563
Equipment Rental	232	9,208	37,822
Other	3,813	78,548	152,546
Total Expenses	\$ 761,214	\$ 1,505,256	\$ 40,553,996

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

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Notes to Financial Statements (Modified Cash Basis)

September 30, 2021 and 2020

(1) ORGANIZATION AND OPERATIONS

The Beef Promotion and Research Act of 1985 (the Act), approved on December 23, 1985, by the United States Congress, established a coordinated program of promotion and research designed to strengthen the beef industry's position in the marketplace, as well as to maintain and expand domestic and foreign markets and uses for beef and beef products. As provided in the Act, the Secretary of the United States Department of Agriculture (the Secretary) issued the Beef Promotion and Research Order (the Order), effective July 18, 1986, which provides the terms and conditions for the Act's administration. The Cattlemen's Beef Promotion and Research Board (the Board), which was created and approved by the Secretary to administer the Act, consists of 101 members who are representatives of the cattle industry in the United States, including importers. Board members are appointed by the Secretary.

The program is financed by a \$1 per head assessment on domestic sales of cattle and on imported cattle, beef, and beef products. The Board, as part of its responsibilities under the Act and Order, may certify no more than one Qualified State Beef Council (Council) in each state and authorize that Council to collect such assessments. The assessments are remitted to the Councils or the Board. The Board receives one-half of assessment monies from states with Councils and the Councils retain the remainder. The Board receives all assessment revenues from states without Councils and from imported cattle, beef, and beef products.

Pursuant to the Act, the Board's expenses for administration are limited to 5% or less of projected revenues. All remaining revenues are expended on programs related to promotion, research, and information for the beef industry. The Board contracts with established national cattle- or beef-industry-governed nonprofit organizations for the implementation and conduct of these programs. Under the terms of these contracts, the entities, which receive Board contracts, are subject to annual audits and reviews.

During fiscal years 2021 and 2020, the Board reimbursed the following industry organizations for program expenses incurred on approved projects:

<u>Name of Contractor</u>	<u>2021</u>	<u>2020</u>
Meat Importers Council of America	\$ 458,351	\$ 477,407
National American Meat Institute	1,402,577	1,625,017
National Cattlemen's Beef Association (NCBA)	29,564,023	33,149,336
American Farm Bureau Foundation	947,645	647,529
National Livestock Producers Association	-	90,041
United States Cattlemen's Association	153,506	153,507
United States Meat Export Federation	4,677,591	-
National Institute for Animal Agriculture	54,442	-

The program expenses incurred by NCBA during fiscal years 2021 and 2020 included reimbursements for costs incurred under subcontracts with the U.S. Meat Export Federation of \$3,801,601 and \$6,933,263, respectively.

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Notes to Financial Statements (Modified Cash Basis)

September 30, 2021 and 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under this method, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when incurred. At September 30, 2021 and 2020, there were assessment receivables of approximately \$7,200,000 and \$7,200,000, accrued compensated absences of approximately \$86,000 and \$70,000 and accounts payable of approximately \$9,200,000 and \$9,800,000, respectively, which are not reflected in the accompanying financial statements. Accounts payable relate to appropriated expenditures and are included in the net assets designated for future expenses in the accompanying statements of assets, liabilities, and net assets (Note 6).

As discussed in Note 1, the Board receives one-half of the assessment monies collected by the Councils and the remainder is retained by the Councils. The accompanying financial statements include only the Board's share of assessment monies and do not include amounts related to either revenues or expenses of the individual Councils.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which is expected to increase transparency and comparability among organizations. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct- financing leases. The standard is effective for fiscal year 2023, and early adoption is permitted. Cattlemen's Beef Promotion and Research Board is evaluating the impact of ASU 2016-02 on its financial statements.

Cash, Cash Equivalents, and Investments

For purposes of classifying investments, the Board considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents and investments are recorded at cost.

Depreciation

Capital assets, which include equipment and leasehold improvements, are recorded at cost. The Board capitalizes all capital asset purchases greater than \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of three to ten years.

Use of Estimates

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts and disclosures, primarily those estimates included in the Basis of Accounting disclosure above. Accordingly, actual results could differ from those estimates.

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Notes to Financial Statements (Modified Cash Basis)

September 30, 2021 and 2020

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis on the statement of revenues, expenses, and changes in net assets without donor restriction. Costs applied to programs include expenses associated with research and the promotion of beef in domestic and international markets. The costs are applied to the programs based upon the project codes for the approved programs. Overhead costs are allocated proportionately based on the number of hours recorded for approved checkoff programs.

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Secretary has provided that excess cash may be invested, on a short-term basis, in certificates of deposit insured by the Federal Deposit Insurance Corporation or obligations of the United States, U.S. Government agencies, or U.S. Government-sponsored corporations. In April 2015, the Secretary granted an exemption to the Board allowing the Board to extend investment maturities to five years for investments not to exceed \$7 million in the aggregate. Cash, cash equivalents and investments at September 30, 2021 and 2020, by investment type, are as follows:

	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments	Total Carrying Value	Total Fair Value
September 30, 2021:					
Demand Deposit Account	\$ 256,317	\$ -	\$ -	\$ 256,317	\$ 256,317
Money Market Accounts	21,668,478	-	-	21,668,478	21,668,478
Certificates of Deposit	-	2,500,000	-	2,500,000	2,500,000
Less – Outstanding Checks	<u>(112,760)</u>	<u>-</u>	<u>-</u>	<u>(112,760)</u>	<u>(112,760)</u>
Totals for 2021	<u>\$ 21,812,035</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 24,312,035</u>	<u>\$ 24,312,035</u>

	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments	Total Carrying Value	Total Fair Value
September 30, 2020:					
Demand Deposit Account	\$ 4,250,027	\$ -	\$ -	\$ 4,250,027	\$ 4,250,027
Money Market Accounts	11,114,744	-	-	11,114,744	11,114,744
Certificates of Deposit	-	5,500,000	2,500,000	8,000,000	8,000,000
Less – Outstanding Checks	<u>(82,959)</u>	<u>-</u>	<u>-</u>	<u>(82,959)</u>	<u>(82,959)</u>
Totals for 2020	<u>\$ 15,281,812</u>	<u>\$ 5,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 23,281,812</u>	<u>\$ 23,281,812</u>

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Notes to Financial Statements (Modified Cash Basis)

September 30, 2021 and 2020

(3) CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

In accordance with the Board's policy, the demand deposit accounts, the money market accounts, and the certificates of deposit are insured by the Federal Deposit Insurance Corporation and/or fully collateralized by U.S. Government securities held at the Federal Reserve Bank in the Board's name.

(4) LIQUIDITY

At September 30, 2021, the Board has \$24,312,035 of financial assets available to meet cash needs for general expenditures within one year of the balance sheet date consisting of demand deposit of \$143,557, money market of \$21,668,478, and short-term investments of \$2,500,000. At September 30, 2020, the Board had \$20,781,812 of financial assets available to meet cash needs for general expenditures within one year of the balance sheet date consisting of demand deposit of \$4,167,068, money market of \$11,114,744, and short-term investments of \$5,500,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure, within one year of the balance sheet date. As part of its liquidity management, the Board invests cash in excess of daily requirements in short-term investments consisting of certificates of deposits to meet future unexpended program appropriations. The Board has also established a reserve in the amount of \$4,350,000 to be used, as the Board may deem necessary, with the approval of the Secretary (Note 6).

(5) ADMINISTRATION EXPENSE

The Act limits expenses for the administration of the program to 5% or less of projected revenues. Projected revenues were \$42,268,000 for 2021 and \$41,932,000 for 2020. Accordingly, the administrative expenses incurred by the Board were limited to \$2,113,400 in 2021 and \$2,096,600 in 2020. Administrative expenses incurred by the Board on the modified cash basis amounts reflected in the accompanying statements of revenues, expenses, and changes in net assets without donor restriction were approximately \$1,502,147 (3.55% of projected revenues) in 2021 and \$1,505,256 (3.59% of projected revenues) in 2020. Expressed as a percentage of actual revenues, the Board's administrative expenses were 3.51% in 2021 and 3.59% in 2020.

The Board has entered into an Administrative Services Agreement with NCBA whereby NCBA agreed to provide certain administrative services to the Board in return for reimbursement of all direct and indirect costs related to the provided services. During 2021 and 2020, respectively, the Board paid NCBA approximately \$58,000 and \$41,000 related to this agreement.

The Board leases office facilities and equipment from outside third parties under operating leases. Payments required under the leases were approximately \$113,000 during 2021 and \$116,000 during 2020. Future annual payments related to the leases are approximately \$104,000 in 2022, \$106,000 in 2023, \$108,000 in 2024, \$108,000 in 2025, \$106,000 in 2026 and \$116,000 thereafter.

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Notes to Financial Statements (Modified Cash Basis)

September 30, 2021 and 2020

(6) NET ASSETS WITHOUT DONOR RESTRICTIONS

Net Assets Without Donor Restrictions represent amounts currently available for the use in the Board's operation in accordance with the Act and those resources invested in capital assets. Designated net asset balances represent tentative plans of the Board for future use of financial resources, as follows:

Designated for Future Expenses

This balance relates to unexpended program appropriations.

Designated - Board Reserve

On October 6, 2010, the Board has approved the establishment of a reserve in the amount of \$4,350,000 to be used, as the Board may deem necessary, with the approval of the Secretary.

Undesignated

As of September 30, 2021, and 2020, \$1,993,247 and \$1,437,814, respectively, of the net assets had not been designated by the Board and is available for budgeting to the various program areas. Of these amounts, \$17,523 and \$21,228 represent net assets invested in capital assets as of September 30, 2021, and 2020, respectively.

(7) INCOME TAX STATUS

The Board has received a ruling from the Internal Revenue Service stating that it is classified as a tax-exempt entity that engages in activities under the aegis of the United States Department of Agriculture.

(8) PENSION PLAN

The Board provides a defined contribution plan for all its employees under which annual contributions are provided based on a percentage of each employee's salary. Contributions required and funded by the Board were approximately \$120,000 and \$103,000 in 2021 and 2020, respectively.

(9) GLOBAL PANDEMIC

The COVID-19 global pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Cattlemen's Beef Promotion and Research Board, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results, including cattle supply chain disruptions and potential cancellations of future meetings, travel, and programmatic activity that could result in a reduction of related revenues and expenses. Cattlemen's Beef Promotion and Research Board believes it is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

(10) SUBSEQUENT EVENTS

The Board has evaluated subsequent events from the statement of financial position date through December 10, 2021, the date at which the financial statements were available to be issued.

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Supplementary Statement of Assessment Revenues by State

(Modified Cash Basis)

For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSESSMENT REVENUES:		
Qualified State Beef Councils-		
Alabama	\$ 338,191	\$ 328,021
Arizona	361,959	321,224
Arkansas	427,695	406,768
California	1,854,538	1,868,165
Colorado	1,591,426	1,611,967
Delaware	3,440	3,947
Florida	312,993	308,528
Georgia	275,766	263,280
Hawaii	13,671	18,327
Idaho	880,301	890,555
Illinois	301,767	300,507
Indiana	211,654	218,180
Iowa	1,672,474	1,704,544
Kansas	4,020,915	3,700,788
Kentucky	632,845	645,518
Louisiana	152,592	144,908
Maryland	38,373	39,580
Michigan	266,979	272,808
Minnesota	739,326	729,459
Mississippi	282,835	248,227
Missouri	1,299,552	1,210,455
Montana	998,654	901,391
Nebraska	3,564,063	3,484,131
Nevada	142,766	124,148
New Jersey	3,259	3,763
New Mexico	622,141	588,976
New York	325,998	331,447
North Carolina	147,326	150,613
North Dakota	636,926	563,929

See the accompanying independent auditors' report.

CATTLEMEN'S BEEF PROMOTION AND RESEARCH BOARD

Supplementary Statement of Assessment Revenues by State

(Modified Cash Basis)

For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSESSMENT REVENUES: (Continued)		
Qualified State Beef Councils-		
Ohio	\$ 332,299	\$ 331,288
Oklahoma	1,866,006	1,781,692
Oregon	455,852	416,182
Pennsylvania	331,748	334,173
South Carolina	69,420	68,397
South Dakota	1,573,338	1,467,621
Tennessee	387,115	380,532
Texas	5,260,853	5,079,846
Utah	311,503	303,093
Vermont	40,015	43,510
Virginia	377,710	360,329
Washington	584,136	563,405
West Virginia	74,477	72,217
Wisconsin	688,691	713,676
Wyoming	<u>554,182</u>	<u>499,442</u>
Total Qualified State Beef Councils	<u>35,027,770</u>	<u>33,799,557</u>
States Without Qualified State Beef Councils-		
Alaska	292	194
Connecticut	9,804	10,515
Massachusetts	19,561	16,840
Maine	18,292	18,753
New Hampshire	7,900	8,801
Rhode Island	<u>532</u>	<u>373</u>
Total States Without Qualified State Beef Councils	<u>56,381</u>	<u>55,476</u>
Importers	<u>7,542,972</u>	<u>7,686,482</u>
Total Assessment Revenues	<u>\$42,627,123</u>	<u>\$41,541,515</u>

See the accompanying independent auditors' report.