

TEXAS BEEF COUNCIL



COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024 AND 2023

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
 COMBINED FINANCIAL STATEMENTS:	
Combined Statements of Financial Position	6
Combined Statements of Activities	7
Combined Statements of Cash Flows	8
Combined Statements of Functional Expenses	9
Notes to the Combined Financial Statements.....	11
 SUPPLEMENTAL INFORMATION:	
Combining Statement of Financial Position.....	19
Combining Statement of Activities	21
Combining Statement of Cash Flows.....	23
 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH CERTAIN PROVISIONS OF THE BEEF PROMOTION AND RESEARCH ACT OF 1985, THE BEEF PROMOTION AND RESEARCH ORDER, AND THE BEEF BOARD INVESTMENT POLICY FOR QUALIFIED STATE BEEF COUNCILS	
	26



Independent Auditors' Report

Board of Directors
Texas Beef Council

Opinion

We have audited the accompanying combined financial statements of the Texas Beef Council and Related Entity (collectively, the Council) which comprise the combined statements of financial position as of September 30, 2024 and 2023, and the related combined statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Council as of September 30, 2024 and 2023, and the combined results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibility for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined 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 combined financial statements as a whole.

Atchley & Associates, LLP

Austin, Texas

January 27, 2025

COMBINED FINANCIAL STATEMENTS

TEXAS BEEF COUNCIL AND RELATED ENTITY
COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

	<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:			
Cash and cash equivalents		\$ 2,476,139	\$ 1,513,864
Investments		7,841,789	7,134,310
Accounts receivable		1,910,920	2,147,790
Inventory		286,888	454,400
Deposits and prepaid expenses		<u>98,834</u>	<u>200,344</u>
Total Current Assets		<u>12,614,570</u>	<u>11,450,708</u>
PROPERTY AND EQUIPMENT:			
Furniture and fixtures		221,357	211,941
Equipment		428,544	390,274
Automobiles and promotional vehicles		422,030	422,030
Website development		645,620	520,740
Land, building, and improvements		<u>2,075,451</u>	<u>2,059,883</u>
		3,793,002	3,604,868
Accumulated depreciation and amortization		<u>(2,495,765)</u>	<u>(2,307,110)</u>
		<u>1,297,237</u>	<u>1,297,758</u>
		<u>\$ 13,911,807</u>	<u>\$ 12,748,466</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable:			
National program investments payable		\$ 607,500	\$ 750,000
Beef Promotion and Research Board		917,208	1,026,438
Other state beef industry councils		127,942	135,492
Trade		1,002,787	633,996
State checkoff refunds		85,727	60,069
Accrued expenses		<u>262,905</u>	<u>243,226</u>
Total Current Liabilities		3,004,069	2,849,221
NET ASSETS:			
Without donor restrictions		<u>10,907,738</u>	<u>9,899,245</u>
		<u>\$ 13,911,807</u>	<u>\$ 12,748,466</u>

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

TEXAS BEEF COUNCIL AND RELATED ENTITY
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES:		
Checkoff revenues, net of remittances to the Beef		
Promotion and Research Board	\$ 14,482,597	\$ 15,590,207
Less: Refunds	<u>(544,179)</u>	<u>(608,904)</u>
	13,938,418	14,981,303
Investment return	517,952	356,333
BLT Store, net loss	(16,696)	(17,717)
Other revenue	<u>3,309</u>	<u>5,150</u>
	<u>14,442,983</u>	<u>15,325,069</u>
 EXPENSES:		
National program investments	2,430,000	3,038,500
State program investments	<u>7,397</u>	<u>8,842</u>
	2,437,397	3,047,342
Program expenses:		
Domestic marketing	8,123,675	8,120,566
Foreign market development	466,257	451,273
Beef quality	161,928	210,186
Producer communication	858,199	850,183
Collections and compliance	295,934	372,871
Administration	<u>1,091,100</u>	<u>940,452</u>
	<u>13,434,490</u>	<u>13,992,873</u>
 TOTAL INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 1,008,493	 1,332,196
 NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Beginning of period	<u>9,899,245</u>	<u>8,567,049</u>
End of period	<u><u>\$ 10,907,738</u></u>	<u><u>\$ 9,899,245</u></u>

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

TEXAS BEEF COUNCIL AND RELATED ENTITY
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITY CASH FLOWS:		
Total increase in net assets	\$ 1,008,493	\$ 1,332,196
Adjustments to reconcile total increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	205,090	169,395
Accretion of discount on investment securities	(330,464)	(210,197)
Unrealized gain on investment securities	(25,390)	(16,331)
Gain on disposal of property and equipment	-	(5,150)
Changes in operating assets and liabilities:		
Accounts receivable	236,870	(127,387)
Inventory	167,512	(69,172)
Deposits and prepaid expenses	101,510	(48,764)
Accounts payable	135,169	(603,059)
Accrued expenses	<u>19,679</u>	<u>(571)</u>
Net cash provided by operating activities	<u>1,518,469</u>	<u>420,960</u>
INVESTING ACTIVITY CASH FLOWS:		
Purchases of investments	(10,607,625)	(9,686,117)
Proceeds from maturity of investments	10,256,000	8,474,000
Purchases of property and equipment	(204,569)	(335,159)
Proceeds from sale of property and equipment	<u>-</u>	<u>6,150</u>
Net cash used by investing activities	<u>(556,194)</u>	<u>(1,541,126)</u>
NET INCREASE (DECREASE)	962,275	(1,120,166)
CASH AND CASH EQUIVALENTS:		
Beginning of period	<u>1,513,864</u>	<u>2,634,030</u>
End of period	<u>\$ 2,476,139</u>	<u>\$ 1,513,864</u>

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

TEXAS BEEF COUNCIL AND RELATED ENTITY
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>Domestic Marketing</u>	<u>Foreign Market Development</u>
YEAR ENDED SEPTEMBER 30, 2024		
Personnel	\$ 1,462,349	\$ 29,373
Professional, video, and contract services	2,854,004	424,894
Advertising	1,990,574	-
Travel and conferences	275,340	5,307
Sponsorships and site rental	262,425	-
Catering and perishables	220,558	2,177
Printed materials	426,411	114
Supplies	185,805	1,351
Occupancy	102,973	1,517
Depreciation and amortization	144,759	620
Insurance	31,862	383
Equipment rental and maintenance	82,729	241
Postage and freight	47,533	14
Other	<u>36,353</u>	<u>266</u>
	<u><u>\$ 8,123,675</u></u>	<u><u>\$ 466,257</u></u>

YEAR ENDED SEPTEMBER 30, 2023		
Personnel	\$ 1,379,811	\$ 18,453
Professional, video, and contract services	2,537,919	424,991
Advertising	2,730,023	-
Travel and conferences	277,627	5,199
Sponsorships and site rental	286,555	-
Catering and perishables	197,169	368
Printed materials	280,012	41
Supplies	78,389	389
Occupancy	85,605	900
Depreciation and amortization	119,985	336
Insurance	27,825	195
Equipment rental and maintenance	62,438	206
Postage and freight	35,834	49
Other	<u>21,374</u>	<u>146</u>
	<u><u>\$ 8,120,566</u></u>	<u><u>\$ 451,273</u></u>

<u>Beef Quality</u>	<u>Producer Communications</u>	<u>Collections and Compliance</u>	<u>Administration</u>	<u>Combined Total</u>
\$ 77,014	308,052	\$ 178,241	\$ 826,762	\$ 2,881,791
1,744	287,949	36,433	52,400	3,657,424
-	94,654	-	-	2,085,228
9,698	15,240	11,359	35,057	352,001
27,989	7,974	5	-	298,393
5,728	2,925	1,796	11,170	244,354
605	77,189	6,959	7,423	518,701
32,198	5,881	9,243	22,838	257,316
3,441	23,404	14,271	39,975	185,581
1,404	12,353	17,295	28,659	205,090
868	8,415	4,478	7,753	53,759
551	4,871	6,620	48,383	143,395
107	4,044	6,851	2,588	61,137
581	5,248	2,383	8,092	52,923
<u>\$ 161,928</u>	<u>\$ 858,199</u>	<u>\$ 295,934</u>	<u>\$ 1,091,100</u>	<u>\$ 10,997,093</u>

\$ 126,331	312,578	\$ 242,955	\$ 733,121	\$ 2,813,249
24,434	271,598	48,233	65,245	3,372,420
-	95,985	-	-	2,826,008
11,401	32,562	15,205	35,602	377,596
13,767	10,035	-	-	310,357
18,632	678	347	8,783	225,977
1,694	68,833	7,465	3,144	361,189
-	1,898	8,141	12,355	101,172
6,173	18,272	13,845	33,778	158,573
2,932	13,794	19,427	12,921	169,395
1,660	6,928	4,600	7,428	48,636
1,654	6,988	5,842	18,529	95,657
130	6,554	4,513	2,453	49,533
1,378	3,480	2,298	7,093	35,769
<u>\$ 210,186</u>	<u>\$ 850,183</u>	<u>\$ 372,871</u>	<u>\$ 940,452</u>	<u>\$ 10,945,531</u>

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

TEXAS BEEF COUNCIL AND RELATED ENTITY
NOTES TO THE COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 1: ORGANIZATION

The Beef Promotion and Research Act of 1985 (the Act) established a coordinated national program of promotion and research designed to strengthen the beef industry's position in the market place, as well as to maintain and expand domestic and foreign markets and uses for beef and beef products. Texas Beef Council (TBC), a Texas not-for-profit corporation, was formed in 1986 to coordinate the promotion of beef products in Texas. The Act requires a cattle purchaser to withhold \$1 per head (referred to as checkoff) from the sales proceeds of cattle purchased from a cattle producer. The money collected is remitted to a designated collection agency for each state. TBC has been designated as the collection agency for national checkoffs on cattle sold in Texas. The state designated agencies are required to remit \$.50 per head to the Beef Promotion and Research Board (the Board) for use in nationwide programs. The Board's \$.50 per head portion of the checkoff is reflected in accounts receivable and the Beef Promotion and Research Board payable in the Combined Statements of Financial Position. Revenues and expenses in the accompanying combined financial statements only reflect the \$.50 per head retained and available for use by TBC.

During June 2014, Texas cattle producers voted in favor of a referendum instituting a separate beef checkoff program for the state of Texas to be administered by Beef Promotion and Research Council of Texas (BPRCT), a Texas state commodity board operating under the oversight of the Texas Department of Agriculture. BPRCT is designated as the certified organization to carry out this Texas beef marketing, education, research and promotion program established under the Texas Agriculture Code. The referendum authorized BPRCT to collect the Texas state beef checkoff beginning October 1, 2014, at a maximum rate of \$1 per head (also referred to as checkoff) thereby requiring a cattle purchaser to withhold the state checkoff from the sales proceeds of cattle purchased in Texas from a cattle producer. The actual state checkoff rate is established each year by BPRCT and was set at \$1 per head for the 2024 and 2023 fiscal years. Cattle producers who are required to remit the state checkoff assessment may, within 60 days of the date of sale, request a refund of the assessment paid. Revenues and expenses in the accompanying combined financial statements reflect the entire \$1 per head available for use by BPRCT.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined financial statements include the accounts of TBC and BPRCT (collectively the Council) as these organizations are entities under common control and management. Although each entity has its own governing board and bylaws and, as such, is responsible for and maintains custody of, its own financial resources, the governing boards of both organizations are comprised of the same individuals. Furthermore, TBC conducts promotion, education, and research programs on behalf of and provides administrative and collections services to BPRCT under an agreement between the two organizations. Under this agreement, BPRCT reimburses direct costs plus an allocable portion of implementation costs incurred by TBC to conduct these programs and provide these services. All transactions between the organizations have been eliminated in the combined financial statements.

TEXAS BEEF COUNCIL AND RELATED ENTITY

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net assets are classified as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired or been satisfied. Net assets without donor restrictions may be used for any purpose or designated for specific purposes by action of the board of directors.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Council pursuant to those stipulations or that expire with the passage of time. The Council did not receive any restricted support during the years ended September 30, 2024 and 2023, respectively.

Revenue Recognition and Classification of Revenues and Expenses

The Council recognizes checkoff revenues in the period in which the cattle purchaser collected the checkoff. Unremitted checkoff collections at year end are reflected as accounts receivable. Expenses that can be identified with a specific program or relate to a specific source of revenue are allocated directly to that program. Expenses not attributable to the other programs are reported in administrative expenses.

Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Council's cash and cash equivalents at September 30, 2024 and 2023, are as listed below. The demand deposit accounts are insured by the Federal Deposit Insurance Corporation. The money market mutual funds invest in U.S. Treasury and U.S. Government agency securities.

	2024	2023
Demand deposit account	\$ 54,765	\$ 19,899
Money market mutual funds	2,754,086	1,624,452
Less – outstanding checks	(332,712)	(130,487)
	<u>\$ 2,476,139</u>	<u>\$ 1,513,864</u>

Fair Value Measurements

The Council follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

TEXAS BEEF COUNCIL AND RELATED ENTITY

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

The three levels of the fair value hierarchy are described below:

Level 1 Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 Inputs other than level 1 inputs that are directly or indirectly observable in the market place or that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Council utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments

Investments, which are stated at fair value, consist of \$967,298 and \$953,321 in certificates of deposit at September 30, 2024 and 2023, respectively, and \$6,874,491 and \$6,180,989 in U. S. Treasury securities at September 30, 2024 and 2023, respectively. Fair value is estimated by discounting the future cash flows using rates currently offered for investments of similar remaining maturity. All of these investments are classified as Level 1 within the fair value hierarchy. Investment return includes unrealized gains and losses from the increase or decrease in fair value of investments on hand at year end.

Inventory

Inventory consists of printed materials, promotional items, and Beef Loving Texans logoed merchandise. Promotional items which are not intended to be sold are carried at average cost. All other inventory is carried at the lower of average cost or net realizable value.

	<u>2024</u>	<u>2023</u>
Promotional items	\$ 118,792	\$ 278,701
Non-promotional items	<u>168,096</u>	<u>175,699</u>
	<u>\$ 286,888</u>	<u>\$ 454,400</u>

Prepaid Expenses

Prepaid expenses consist primarily of prepaid postage, insurance premiums, and advance payments on expenses of programs to be conducted in a later period.

TEXAS BEEF COUNCIL AND RELATED ENTITY
NOTES TO THE COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property, equipment, and website development are recorded at cost. Depreciation and amortization are computed using the straight-line method and estimated lives of three to five years for automobiles and website development, three to ten years for furniture, fixtures and equipment, and nine to twenty-eight years for building and improvements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2024 and 2023, totaled \$2,085,228 and \$2,826,008, respectively.

Tax-Exempt Status

TBC is exempt from federal income taxes under the provisions of Section 501(c)(5) of the Internal Revenue Code. BPRCT is exempt from federal income taxes as a state governmental entity. The Council follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest and penalties, disclosure, and transition. TBC's tax returns for the years ended September 30, 2021 through 2024, are open to examination by federal, state, and local authorities.

Subsequent Events

Management of the Council has evaluated subsequent events for disclosure through the date of the independent auditors' report, the date the combined financial statements were available to be issued.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. All expenses are allocated based on time and effort.

NOTE 3: EMPLOYEE RETIREMENT AND COMPENSATION PROGRAMS

TBC maintains a 401(k) plan as its retirement plan. All full-time employees age 21 and over are eligible to participate in the plan after six months of service. TBC makes contributions to the plan based on a percentage of each participant's salary. Participants immediately vest in the first 3% of the TBC's contributions to the plan and vest in any contributions in excess of 3% over a five-year period. Contributions to the 401(k) plan during the years ended September 30, 2024 and 2023, totaled \$108,014 and \$101,299, respectively.

TEXAS BEEF COUNCIL AND RELATED ENTITY
NOTES TO THE COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 4: NATIONAL PROGRAM INVESTMENTS

During 2024 and 2023, TBC entered into formal agreements with the Federation of State Beef Councils division of the National Cattlemen's Beef Association (Federation) to fund up to \$1,134,000 and \$1,400,000, respectively, of programs for the promotion and research of beef and beef products. TBC increased the original funding amount during 2023 by \$38,500 for additional promotional programs. As of September 30, 2024 and 2023, a portion of the agreed upon funding under these agreements had not been remitted to the Federation resulting in liabilities, reflected as national program investments payable, of \$283,500 and \$350,000, respectively. Subsequent to year end, TBC entered into a similar agreement for fiscal year 2025 to provide funding of \$1,100,000.

During 2024 and 2023, TBC entered into formal agreements with the U.S. Meat Export Federation (USMEF) to fund up to \$1,296,000 and \$1,600,000, respectively, for the promotion of U.S. beef and beef products in foreign markets. As of September 30, 2024 and 2023, a portion of the agreed upon funding under these agreements had not been remitted to USMEF resulting in liabilities, reflected as national program investments payable, of \$324,000 and \$400,000, respectively. Subsequent to year end, TBC entered into a similar agreement for fiscal year 2025 to provide funding of \$1,257,000.

NOTE 5: STATE PROGRAM INVESTMENTS

For fiscal years 2024 and 2023, TBC established formal agreements with the Texas CattleWomen to conduct certain programs within the state of Texas. TBC approved funding up to \$20,000 of defined portions of similar programs for fiscal year 2025.

NOTE 6: CONCENTRATIONS

The Council's revenue is dependent upon sales of cattle in the state of Texas. Any changes in governmental regulations, general economic and environmental conditions, and other factors affecting the beef industry's ability to market its products domestically and abroad may impact the Council's revenue.

NOTE 7: LIQUIDITY AND AVAILABILITY

The Council regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Council considers all expenditures related to its ongoing activities of beef promotion, research, and education.

TEXAS BEEF COUNCIL AND RELATED ENTITY
NOTES TO THE COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 7: LIQUIDITY AND AVAILABILITY (CONTINUED)

The following table presents the Council's financial assets as of September 30, 2024 and 2023, that are available to meet general expenditures within one year of the statement of financial position date. None of these financial assets are subject to donor or other contractual restrictions.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,476,139	\$ 1,513,864
Investments	7,841,789	7,134,310
Accounts receivable	<u>1,910,920</u>	<u>2,147,790</u>
	<u>\$ 12,228,848</u>	<u>\$ 10,795,964</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Council anticipates collecting sufficient checkoff revenue mandated under federal and state law to cover substantially all general expenditures. Drought conditions in Texas during the past several years caused a reduction in the state's cattle herd. Revenues in fiscal year 2024 were less than budgeted amounts because the smaller than normal cattle herd led to smaller than normal cattle sales volume during the year. The Council continues to closely monitor the extent of the cattle herd reduction, which could have an impact on future revenues. The Council has a policy to maintain not less than \$3.5 million in liquid net assets. Liquid net assets are defined by the Council as net assets without restrictions less property and equipment, net of accumulated depreciation.

SUPPLEMENTAL INFORMATION

TEXAS BEEF COUNCIL AND RELATED ENTITY
COMBINING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2024

	<u>ASSETS</u>	<u>TBC</u>	<u>BPRCT</u>
CURRENT ASSETS:			
Cash and cash equivalents		\$ 1,306,921	\$ 1,169,218
Investments		2,623,225	5,218,564
Accounts receivable		1,905,811	5,109
Receivable from BPRCT		5,224	-
Inventory		286,888	-
Deposits and prepaid expenses		<u>98,834</u>	<u>-</u>
Total Current Assets		<u>6,226,903</u>	<u>6,392,891</u>
PROPERTY AND EQUIPMENT:			
Furniture and fixtures		221,357	-
Equipment		428,544	-
Automobiles and promotional vehicles		422,030	-
Website development		645,620	-
Land, building, and improvements		<u>2,075,451</u>	<u>-</u>
		3,793,002	-
Accumulated depreciation		<u>(2,495,765)</u>	<u>-</u>
		<u>1,297,237</u>	<u>-</u>
		<u>\$ 7,524,140</u>	<u>\$ 6,392,891</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable:			
National program investments payable		\$ 607,500	\$ -
Beef Promotion and Research Board		917,208	-
Other state beef industry councils		127,942	-
Trade		1,002,787	-
State checkoff refunds		-	85,727
Payable to TBC		-	5,224
Accrued expenses		<u>262,905</u>	<u>-</u>
Total Current Liabilities		2,918,342	90,951
NET ASSETS:			
Without donor restrictions		<u>4,605,798</u>	<u>6,301,940</u>
		<u>\$ 7,524,140</u>	<u>\$ 6,392,891</u>

<u>Eliminations</u>	<u>Combined</u>
---------------------	-----------------

\$	-	\$	2,476,139
	-		7,841,789
	-		1,910,920
(	5,224)		-
	-		286,888
	-		98,834
	-		
(	5,224)		12,614,570

	-		221,357
	-		428,544
	-		422,030
	-		645,620
	-		2,075,451
	-		3,793,002
	-	(	2,495,765)
	-		1,297,237
	-		
\$(	5,224)	\$	13,911,807

\$	-	\$	607,500
	-		917,208
	-		127,942
	-		1,002,787
	-		85,727
(	5,224)		-
	-		262,905
	-		
(	5,224)		3,004,069
	-		
	-		10,907,738
	-		
\$(	5,224)	\$	13,911,807

TEXAS BEEF COUNCIL AND RELATED ENTITY
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

	<u>TBC</u>	<u>BPRCT</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES:		
Checkoff revenues, net of remittances to the Beef		
Promotion and Research Board	\$ 4,903,837	\$ 9,578,760
Less: Refunds	<u>-</u>	<u>(544,179)</u>
	4,903,837	9,034,581
Investment return	200,601	317,351
BLT Store, net loss	(16,696)	-
Other revenue	<u>3,309</u>	<u>-</u>
	<u>5,091,051</u>	<u>9,351,932</u>
EXPENSES:		
National program investments	2,430,000	-
State program investments	<u>7,397</u>	<u>-</u>
	2,437,397	-
Program expenses:		
Domestic marketing	924,312	7,199,363
Foreign market development	67,621	398,636
Beef quality	16,542	145,386
Producer communication	95,374	762,825
Collections and compliance	123,714	172,220
Administration	<u>562,777</u>	<u>528,323</u>
	<u>4,227,737</u>	<u>9,206,753</u>
TOTAL INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	863,314	145,179
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Beginning of period	<u>3,742,484</u>	<u>6,156,761</u>
End of period	<u>\$ 4,605,798</u>	<u>\$ 6,301,940</u>

<u>Eliminations</u>	<u>Combined</u>
\$ -	\$ 14,482,597
<u>-</u>	<u>(544,179)</u>
	13,938,418
-	517,952
-	(16,696)
<u>-</u>	<u>3,309</u>
<u>-</u>	<u>14,442,983</u>
-	2,430,000
<u>-</u>	<u>7,397</u>
-	2,437,397
-	8,123,675
-	466,257
-	161,928
-	858,199
-	295,934
<u>-</u>	<u>1,091,100</u>
<u>-</u>	<u>13,434,490</u>
-	1,008,493
<u>-</u>	<u>9,899,245</u>
<u>\$ -</u>	<u>\$ 10,907,738</u>

TEXAS BEEF COUNCIL AND RELATED ENTITY
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2024

	<u>TBC</u>	<u>BPRCT</u>
OPERATING ACTIVITY CASH FLOWS:		
Total increase in net assets	\$ 863,314	\$ 145,179
Adjustments to reconcile total increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	205,090	-
Accretion of discount on investment securities	(100,921)	(229,543)
Unrealized gain on investment securities	(8,401)	(16,989)
Changes in operating assets and liabilities:		
Accounts receivable	225,507	11,363
Receivable from TBC	-	445,589
Inventory	167,512	-
Deposits and prepaid expenses	101,510	-
Accounts payable	109,601	25,568
Payable to BPRCT	(445,589)	-
Accrued expenses	<u>19,679</u>	<u>-</u>
Net cash provided by operating activities	<u>1,137,302</u>	<u>381,167</u>
INVESTING ACTIVITY CASH FLOWS:		
Purchases of investments	(3,745,427)	(6,862,198)
Proceeds from maturity of investments	3,338,000	6,918,000
Purchases of property and equipment	<u>(204,569)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(611,996)</u>	<u>55,802</u>
NET INCREASE	525,306	436,969
CASH AND CASH EQUIVALENTS:		
Beginning of period	<u>781,615</u>	<u>732,249</u>
End of period	<u>\$ 1,306,921</u>	<u>\$ 1,169,218</u>

<u>Eliminations</u>	<u>Combined</u>
\$ -	\$ 1,008,493
-	205,090
-	(330,464)
-	(25,390)
-	236,870
(445,589)	-
-	167,512
-	101,510
-	135,169
445,589	-
<u>-</u>	<u>19,679</u>
<u>-</u>	<u>1,518,469</u>
-	(10,607,625)
-	10,256,000
<u>-</u>	<u>(204,569)</u>
<u>-</u>	<u>(556,194)</u>
-	962,275
<u>-</u>	<u>1,513,864</u>
<u>\$ -</u>	<u>\$ 2,476,139</u>



Independent Auditors' Report
On Compliance With Certain Provisions Of The
Beef Promotion And Research Act Of 1985,
The Beef Promotion And Research Order, And The
Beef Board Investment Policy For Qualified State Beef Councils

Board of Directors
Texas Beef Council

We have audited, in accordance with auditing standards generally accepted in the United States of America, the combined statement of financial position of the Texas Beef Council and Related Entity as of September 30, 2024 and 2023, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and have issued our report thereon dated January 27, 2025.

In connection with our audits as of September 30, 2024 and 2023, nothing came to our attention that caused us to believe that (i) the Council was not in compliance with the provisions of the Beef Promotion and Research Act of 1985 (the "Act") and the Beef Promotion and Research Order (the "Order") relative to the use of funds collected by the Council insofar as they relate to accounting matters, or (ii) that the Council failed to accurately allocate expenses that it shared with any other entity or funding source in a manner that complies with the Act and Order. In addition, nothing came to our attention that caused us to believe the Council did not comply during the year ended September 30, 2024 and 2023, with the provisions of the Beef Board Investment Policy for Qualified State Beef Councils dated March 16, 2016, which describes the type of instruments in which the Council may invest. Our audits were not, however, directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of the Texas Beef Council, the Cattlemen's Beef Promotion and Research Board, and the United States Department of Agriculture and is not to be used, referred to, or distributed for any other purpose.

Atchley & Associates, LLP

Austin, Texas

January 27, 2025

