



FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

**BEEF PROMOTION & RESESARCH
COUNCIL OF TEXAS
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2025**

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Independent Auditors' Report

To the Board of Directors of
Beef Promotion and Research Council of Texas

Opinion

We have audited the accompanying financial statements of the Beef Promotion and Research Council of Texas (BPRCT), which comprise the statement of net position as of September 30, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BPRCT as of September 30, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of the BPRCT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BPRCT's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 BPRCT'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 BPRCT'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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplemental Statement of Expenses by Function is presented for purposes of additional analysis and is 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.

Atchley & Associates, LLP

Austin, Texas

February 3, 2026

BEEF PROMOTION & RESESARCH COUNCIL OF TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Beef Promotion and Research Council of Texas (BPRCT) offers readers of the audited financial statements this required supplementary information as an overview and analysis for the fiscal year ended September 30, 2025. It should be read in conjunction with BPRCT's financial statements. In addition to Management's Discussion and Analysis, BPRCT's financial statements consist of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the accompanying notes.

OVERVIEW

During June 2014, Texas cattle producers voted in favor of a referendum instituting a beef Checkoff program for the state of Texas to be administered by the BPRCT, a Texas state commodity board operating under the oversight of the Texas Department of Agriculture (TDA). BPRCT is designated as the certified organization to plan, implement, and operate the Texas beef marketing, education, research, and promotion program established under Title 3, Chapter 41, Subchapter H of the Texas Agriculture Code. The stated intent of Chapter 41 is to permit and encourage producers of an agricultural commodity to develop, carry out, and participate in programs of research, education, and promotion designed to encourage the production, marketing, and use of their agricultural commodity.

The referendum authorized BPRCT to collect the assessment beginning October 1, 2014, at a maximum rate of \$1 per head (referred to as Checkoff) on cattle sales in Texas. The actual state Checkoff rate is established each year by BPRCT and was set at \$1 per head for the 2025 fiscal year. Assessments collected by BPRCT are not state funds and are not required to be deposited in the state treasury. The assessments may be used to fund programs in Texas, the United States, and international markets. 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.

The Beef Promotion and Research Act of 1985 (the Act) established a similar national beef promotion and marketing program. The Texas Beef Council (TBC) was formed in 1986 to coordinate the promotion of beef products in Texas and to serve as the designated collection agency for national Checkoffs on cattle sold in Texas. The Texas legislators who drafted Subchapter H anticipated that BPRCT and TBC would have a close working relationship. Subchapter H states that the legislature intends that the promotion, marketing, research, and educational efforts regarding beef and beef products under this subchapter use existing cattle industry infrastructure to the extent possible. Furthermore, Subchapter H designates TBC as the entity that nominates individuals to serve on the BPRCT governing board, subject to approval by the commissioner of TDA. Finally, Subchapter H states that BPRCT may contract or enter into agreements with TBC. In order to comply with the intent as stated in Subchapter H and eliminate operational inefficiencies, BPRCT does not have staff or operate its own offices. Instead, BPRCT contracts with TBC to conduct promotion, education, and research programs on behalf of and provide administrative and collections services to BPRCT. Under this agreement, the BPRCT reimburses direct costs plus an allocable portion of implementation costs incurred by TBC to conduct these programs and provide these services.

STATEMENT OF NET POSITION

The Statement of Net Position reflects BPRCT's financial position, presenting information on BPRCT's assets and liabilities at fiscal year-end. Assets are categorized based upon liquidity. Liabilities are categorized based upon the nature and term of each liability. The difference between total assets and total liabilities is reported as net position.

Assets consist of cash and cash equivalents, investments, and other receivables. During the year, BPRCT invested in a series of certificates of deposit and U.S. Treasury securities such that an investment matures each month during the year in case funds are needed at the time of the investment's maturity. BPRCT liabilities at September 30, 2025, are comprised of Checkoff refunds payable and a payable to TBC. The \$715,572 payable to TBC at September 30, 2025, reflects fiscal year 2025 reimbursements due to TBC for program costs and administrative and collection services net of Checkoff collections due to BPRCT.

The following is condensed financial information from BPRCT's Statement of Net Position as of September 30, 2025 and 2024:

	2025	2024
Assets:		
Current assets	\$ 7,199,747	\$ 6,392,891
Total assets	<u>\$ 7,199,747</u>	<u>\$ 6,392,891</u>
Liabilities:		
Current liabilities	\$ 807,175	\$ 90,951
Total liabilities	<u>807,175</u>	<u>90,951</u>
Net position	<u>\$ 6,392,572</u>	<u>\$ 6,301,940</u>
Total liabilities and net position	<u>\$ 7,199,747</u>	<u>\$ 6,392,891</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents operating revenues and related expenses, and the resulting change in net position for the year.

Current Year Budget

For the 2025 fiscal year, BPRCT budgeted expenses in excess of revenues of \$622,300 with the goal of retaining substantially all of the balance in net position in anticipation of reduced revenues in future years. The drought conditions in Texas during 2022 and 2023 caused a reduction in the cattle herd in Texas. Based on analysis of prior drought related cattle herd reductions, BPRCT anticipates several years of decreased revenues before the cattle herd and revenues recover to pre-drought levels. During those years of lower revenues, BPRCT anticipates maintaining expenses at amounts close to current levels, which would produce deficit budgets and a reduction in the balance in net position.

Current Year Results

Actual Checkoff revenues for the 2025 fiscal year totaled \$9,177,467 or 99.7% of the amount budgeted. Refunds for the year totaled \$493,595 or 5.4% of actual Checkoff revenues. The lower than budgeted amount of Checkoff revenues in fiscal year 2025 represents the beginning of the decline in Checkoff revenues due to the Texas cattle herd reduction. Higher than normal interest rates throughout 2025 resulted in investment income of \$284,817 or 113.9% of the amount budgeted. Expenses for the year totaled \$8,878,054, which is 93.2% of the budgeted amount. Rather than the decrease in net position of \$622,300 that was budgeted for the year, BPRCT experienced an increase in net position in fiscal year 2025 of \$90,635.

The following is condensed financial information from the BPRCT's Statement of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2025 and 2024, compared to amended budgets:

	<u>Actual</u>	<u>Amended Budget</u>
2025 Fiscal year		
Checkoff revenues	\$ 9,177,467	\$ 9,205,000
Less: refunds	(493,595)	(552,300)
	<u>8,683,872</u>	<u>8,652,700</u>
Other revenues	284,817	250,000
Expenses	<u>(8,878,054)</u>	<u>(9,525,000)</u>
Revenues in excess of expenses	90,635	(622,300)
Net position, beginning of year	<u>6,301,937</u>	<u>6,301,937</u>
Net position, end of year	<u>\$ 6,392,572</u>	<u>\$ 5,679,637</u>
2024 Fiscal year		
Checkoff revenues	\$ 9,578,760	\$ 9,983,000
Less: refunds	(544,178)	(598,980)
	<u>9,034,582</u>	<u>9,384,020</u>
Other revenues	317,351	250,000
Expenses	<u>(9,206,755)</u>	<u>(9,817,000)</u>
Revenues in excess of expenses	145,178	(182,980)
Net position, beginning of year	<u>6,156,759</u>	<u>6,156,759</u>
Net position, end of year	<u>\$ 6,301,937</u>	<u>\$ 5,973,779</u>

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash activity for the fiscal year and is prepared using the direct method. The direct method reports cash receipts and payments categorized into cash flows from operating activities, investing activities, and financing activities.

The following is condensed financial information from the BPRCT's Statement of Cash Flows for the years ended September 30, 2025 and 2024:

	2025	2024
Net cash provided by operating activities	\$ 617,374	\$ 381,167
Net cash provided (used) by investing activities	(377,433)	55,801
Net increase (decrease) in cash and cash equivalents	239,941	436,968
Cash and cash equivalents, beginning of year	1,169,217	732,249
Cash and cash equivalents, end of year	\$ 1,409,158	\$ 1,169,217

Cash provided by operating activities primarily reflects cash received from Checkoff collections, net of refunds, and cash used in operating activities. Cash provided or used by investing activities reflects cash used to purchase investments, net of cash provided by maturing investments.

NEXT YEAR'S FINANCIAL PLAN

For the 2026 fiscal year, BPRCT budgeted Checkoff revenues at \$8,245,000, refunds at 6.0% of Checkoff revenues, and investment income of \$233,000. BPRCT budgeted expenses for fiscal year 2026 at \$9,211,500, resulting in a budget with expenses in excess of revenues of \$1,228,200. Even though this deficit budget will reduce the balance in net position, BPRCT is committed to maintaining expenses at amounts close to previous year levels in order to maintain consistent research, education, and promotion programs.

FINANCIAL STATEMENTS

**BEEF PROMOTION & RESESARCH
COUNCIL OF TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

ASSETS

Assets

Cash and cash equivalents	\$ 1,409,158
Investments	5,735,754
Other receivables	<u>54,835</u>
 Total assets	 <u><u>\$ 7,199,747</u></u>

LIABILITIES AND NET POSITION

Liabilities

Checkoff refunds payable	\$ 91,603
Payable to Texas Beef Council	<u>715,572</u>
 Total current liabilities	 807,175

Net position

Unrestricted	<u>6,392,572</u>
 Total liabilities and net position	 <u><u>\$ 7,199,747</u></u>

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

**BEEF PROMOTION & RESEARCH
COUNCIL OF TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2025**

Revenues

Checkoff revenues	\$ 9,177,467
Less: refunds	(493,595)
	<u>8,683,872</u>
Investment income	284,817
	<u>8,968,689</u>

Expenses

Domestic marketing	6,971,228
Foreign market development	415,464
Beef quality	127,139
Producer communication	710,725
Collections and compliance	141,377
Administration	512,121
	<u>8,878,054</u>

Total increase in net position	90,635
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Net position

Beginning of period	<u>6,301,937</u>
End of period	<u><u>\$ 6,392,572</u></u>

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

**BEEF PROMOTION & RESEARCH
COUNCIL OF TEXAS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2025**

Cash flows from operating activities:

Cash received from checkoff collections	\$ 8,987,983
Interest received	284,817
Cash paid to contractors for program services	(7,514,208)
Cash paid for checkoff refunds	(487,720)
Cash paid for other operating expenses	<u>(653,498)</u>
Net cash provided by operating activities	<u>617,374</u>

Cash flows from investing activities:

Purchases of investments	(7,588,433)
Proceeds from maturity of investments	<u>7,211,000</u>
Net cash provided by investing activities	<u>(377,433)</u>

Net decrease	239,941
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Cash and cash equivalents

Beginning of period	<u>1,169,217</u>
End of period	<u><u>\$ 1,409,158</u></u>

Reconciliation of change in net position to net cash provided by operating activities:

Total increase in net position	\$ 90,635
Adjustments to reconcile total increase (decrease) in net position to net cash provided (used) by operating activities:	
Accretion of discount on investment securities	(145,028)
Unrealized gain on investment securities	5,270
Changes in operating assets and liabilities:	
Payable to Texas Beef Council	710,348
Other receivables	(49,726)
Checkoff refunds payable	<u>5,875</u>
Net cash provided by operating activities	<u><u>\$ 617,374</u></u>

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

**BEEF PROMOTION & RESEARCH
COUNCIL OF TEXAS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

1. ORGANIZATION

During June 2014, Texas cattle producers voted in favor of a referendum instituting a beef Checkoff program for the state of Texas to be administered by the 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 the Texas beef marketing, education, research, and promotion program established under the Texas Agriculture Code (the Code). The referendum authorized BPRCT to collect the Texas state beef Checkoff beginning October 1, 2014, at a maximum rate of \$1 per head (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 2025 fiscal year. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

BPRCT prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. BPRCT accounts for its activities as an enterprise fund, and uses the economic resources measurement focus and the accrual basis of accounting.

Revenue Recognition and Classification of Revenues and Expenses

BPRCT 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.

Tax-Exempt Status

BPRCT is exempt from federal income taxes as a state governmental entity.

Cash and Cash Equivalents

BPRCT's cash and cash equivalents at September 30, 2025, are as listed below. The demand deposit account is insured by the Federal Deposit Insurance Corporation. The money market mutual funds invest in U. S. Treasury and U.S. Government agency securities.

Money market mutual funds	\$ 1,418,085
Less - outstanding checks	(8,927)
	<u>\$ 1,409,158</u>

**BEEF PROMOTION & RESESARCH
COUNCIL OF TEXAS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements

BPRCT follows GASB Statement No. 72, *Fair Value Measurements and Applications*, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to measuring 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). 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 BPRCT has the ability to access.

Level 2 - Inputs other the 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. BPRCT 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 BPRCT 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 \$4,343,944 in certificates of deposit and \$1,391,810 in U. S. Treasury securities at September 30, 2025. 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 income includes unrealized gains and losses from the increase or decrease in fair value of investments on hand at year end.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BEEF PROMOTION & RESEARCH
COUNCIL OF TEXAS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

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

3. RELATED PARTY

The Beef Promotion and Research Act of 1985 (the Act) established a national coordinated 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. The Act requires a cattle purchaser to withhold \$1 per head (also referred to as Checkoff) from the sales proceeds of cattle purchased from a cattle producer. The Texas Beef Council (TBC) was formed in 1986 to coordinate the promotion of beef products in Texas and to serve as the designated collection agency for national Checkoffs on cattle sold in Texas. The Code designates TBC as the organization that nominates individuals to serve on the BPRCT's governing board. During fiscal year 2025, the governing boards of both organizations were comprised of the same individuals. As provided in the Code, BPRCT contracted with TBC to conduct promotion, education, and research programs on behalf of and provide administrative and collections services to BPRCT. Under this agreement, the BPRCT reimburses direct costs plus an allocable portion of implementation costs incurred by TBC to conduct these programs and provide these services. Reimbursements to TBC under this agreement totaled \$8,858,748 for the year ended September 30, 2025. The \$715,572 payable to TBC at September 30, 2025, reflects reimbursements due to TBC for program costs and administrative and collection services net of Checkoff collections due to BPRCT.

4. CONCENTRATIONS

BPRCT'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 BPRCT's revenue.

SUPPLEMENTAL INFORMATION

**BEEF PROMOTION & RESEARCH
COUNCIL OF TEXAS
SUPPLEMENTAL STATEMENT OF EXPENSES BY FUNCTION
YEAR ENDED SEPTEMBER 30, 2025**

	<u>Promotion</u>	<u>Research</u>	<u>Education</u>	<u>Administration</u>	<u>Combined Total</u>
Expenses					
Domestic marketing	\$ 3,376,657	\$ -	\$ 3,594,571	\$ -	\$ 6,971,228
Foreign market development	415,464	-	-	-	415,464
Beef quality	-	8,145	118,994	-	127,139
Producer communication	125,693	-	585,032	-	710,725
Collections and compliance	-	-	-	141,377	141,377
Administration	-	-	-	512,121	512,121
	<u>\$ 3,917,814</u>	<u>\$ 8,145</u>	<u>\$ 4,298,597</u>	<u>\$ 653,498</u>	<u>\$ 8,878,054</u>

