

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

***FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024***

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of assets, liabilities and fund balance—modified cash basis	3
Statements of revenues, expenses and changes in fund balance—modified cash basis	4
Statements of cash flows—modified cash basis	5
Notes to the financial statements	6
INDEPENDENT AUDITOR’S REPORT ON SUPPLEMENTARY INFORMATION	10
SUPPLEMENTARY INFORMATION	
Council members and chief executive officer	11
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12



INDEPENDENT AUDITOR'S REPORT

To the Council Members of Minnesota
Dairy Research and Promotion Council
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of Minnesota Dairy Research and Promotion Council (a Minnesota corporation), which comprise the statements of assets, liabilities and fund balance—modified cash basis as of December 31, 2025 and 2024, and the related statements of revenues, expenses and changes in fund balance—modified cash basis, and cash flows—modified cash basis for the years 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 Minnesota Dairy Research and Promotion Council as of December 31, 2025 and 2024, and the changes in fund balance and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minnesota Dairy Research and Promotion 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements were 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance the modified cash basis of accounting as described in Note 1, and 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.

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 Minnesota Dairy Research and Promotion Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 Minnesota Dairy Research and Promotion 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 Minnesota Dairy Research and Promotion 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2026, on our consideration of the Minnesota Dairy Research and Promotion Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 Minnesota Dairy Research and Promotion Council'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 Minnesota Dairy Research and Promotion Council's internal control over financial reporting and compliance.



Boyum & Barescheer PLLP
St. Paul, Minnesota
April 30, 2026

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE—
MODIFIED CASH BASIS

DECEMBER 31,	2025	2024
ASSETS		
CURRENT ASSETS		
Cash		
Checking	\$ 518,252	\$ 73,811
Savings accounts	579,521	156,319
Total cash	1,097,773	230,130
Investments	400,000	550,000
Interest receivable	8,484	16,899
Total current assets	1,506,257	797,029
INVESTMENT IN MIDWEST DAIRY ASSOCIATION	1,137,933	1,137,933
Total assets	\$ 2,644,190	\$ 1,934,962
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable - related party	\$ 230,000	\$ -
Total current liabilities	230,000	-
FUND BALANCE	2,414,190	1,934,962
Total liabilities and fund balance	\$ 2,644,190	\$ 1,934,962

The Notes to the Financial Statements are an integral part of these statements.

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE—MODIFIED
CASH BASIS**

YEARS ENDED DECEMBER 31,	2025	2024
REVENUE		
Dairy checkoff assessments	\$ 10,472,996	\$ 10,276,530
Interest	31,845	42,424
Miscellaneous	25	25
Total revenue	10,504,866	10,318,979
EXPENSES		
PROGRAM EXPENSE		
Contract program support—Midwest Dairy Association	9,960,200	10,414,200
Total program expenses	9,960,200	10,414,200
ADMINISTRATIVE EXPENSES		
Midwest Dairy Association contract	34,800	33,800
Minnesota Department of Agriculture	17,500	14,500
Audit fees—financial statements	7,400	8,100
Audit fees—compliance	5,200	5,200
Bank fees and office supplies	328	495
Total administration expenses	65,228	62,095
COUNCIL MEMBERS' EXPENSES		
Election and miscellaneous expenses	210	-
Total administration and council members' expenses	65,438	62,095
Total expenses	10,025,638	10,476,295
Excess (deficit) of revenue over expenses	479,228	(157,316)
Fund balance, beginning of year	1,934,962	2,092,278
Fund balance, end of year	\$ 2,414,190	\$ 1,934,962

The Notes to the Financial Statements are an integral part of these statements.

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

**STATEMENTS OF CASH FLOWS—
MODIFIED CASH BASIS**

YEARS ENDED DECEMBER 31,	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of revenue over expenses	\$ 479,228	\$ (157,316)
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided by operating activities:		
Increase (decrease) in interest receivable	8,415	(894)
Increase (decrease) in accounts payable	230,000	(3,700)
<i>Net cash provided (used) by operating activities</i>	717,643	(161,910)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(550,000)	(650,000)
Sales of investments	700,000	850,000
<i>Net cash provided by investing activities</i>	150,000	200,000
<i>Net increase in cash</i>	867,643	38,090
Cash, beginning of year	230,130	192,040
<i>Cash, end of year</i>	\$ 1,097,773	\$ 230,130

The Notes to the Financial Statements are an integral part of these statements.

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Minnesota Dairy Research and Promotion Council (Council) was established in accordance with state law and is governed by Minnesota Statutes {2021}, Sections 17.51-17.69. The Council works together with the Minnesota Department of Agriculture to promote Minnesota agriculture. Under the Commodities Promotion Act, the Council has organized research and promotion programs. Funding is generated through dairy checkoff as described in Note 3.

Authority to operate is given to the Council by the Minnesota Dairy Research and Promotion Order, authorized under the Minnesota Agricultural Commodities Promotion Act, Minnesota Statutes {1969}, adopted April 1, 1975, revised under Minnesota Statutes {1982}, effective November 1, 1982, revised in October 2004. The order may be terminated by the Council after consultation with the Commissioner of Agriculture or upon the Council's petition and a subsequent referendum.

Basis of accounting

The accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America. The checkoff revenues from dairy checkoff assessments are collected first by purchasers and remitted to the Council monthly. Since purchases are made on a daily basis, there are amounts owed to the Council at the end of any given month. Under the modified cash basis of accounting, checkoff revenue is recognized when cash is collected. All other revenue is recognized when earned and expenses are recognized when incurred. The Council does not have any activity or balances that have donor-imposed restrictions.

Cash

The Council places its cash with high-quality financial institutions. The checking account is a non-interest bearing account. All other accounts are interest-bearing accounts at short-term interest rates. These accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation FDIC.

Investments

Investments consist of cash and marketable certificates of deposit. The Council intends to hold all marketable certificates of deposit to maturity. All certificates are scheduled to mature within a 12-month period and are reported at cost, which approximates fair value. Interest income on investments is recorded when earned.

Revenue recognition

Dairy checkoff assessment revenues are recognized as they are received.

Functional expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in fund balance—modified cash basis. Accordingly, certain costs have been allocated between the programs and supporting services benefited. Contract costs have been allocated to administration based on the cost of the services required to administer the Dairy Research and Promotion agreement.

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

As a quasi-governmental entity, the Internal Revenue Service has determined that the Council is exempt from the filing requirements of tax-exempt organizations.

Subsequent events

Management has evaluated subsequent events through April 30, 2026, the date which the financial statements were available to be released.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Council's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of:

DECEMBER 31,	2025	2024
Total assets	\$ 2,644,190	\$ 1,934,962
Less: investment in Midwest Dairy Association	(1,137,933)	(1,137,933)
<i>Financial assets available to meet cash needs for general expenditures within one year</i>	<i>\$ 1,506,257</i>	<i>\$ 797,029</i>

The Council's goal is generally to maintain financial assets at 10% of operating expenses (approximately \$1,000,000). None of the financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of the statements of assets, liabilities and fund balance—modified cash basis. As part of its liquidity plan, excess cash is invested in short-term investments consisting of marketable certificates of deposit.

NOTE 3. PRODUCER ASSESSMENTS

The National Dairy Promotion Board (Board) was established in 1984 in accordance with federal law. Pursuant to federal laws and regulations governing the Board, dairy producers must remit fifteen cents (15¢) per hundredweight of milk produced for commercial use to the Board to support its promotional and research programs. However, producers may deduct up to ten cents (10¢) per hundredweight for funds forwarded to a qualifying state organization.

Producer assessments (checkoff) are generated by the collection of an assessment on milk shipped by Minnesota dairy producers. The maximum credit permitted to qualifying state organizations under the federal dairy promotion and research order is ten cents (10¢) per hundredweight.

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

NOTES TO FINANCIAL STATEMENTS

NOTE 3. (CONTINUED)

Assessments collected are refundable under state law, within six months of the date of purchase, to the producer upon the producer's written request to the Minnesota Department of Agriculture. Participation in the National Dairy Promotion Program is mandatory. Accordingly, any refund requested by a producer from a participating state organization must be forwarded to the National Dairy Promotion Board.

NOTE 4. INVESTMENT IN MIDWEST DAIRY ASSOCIATION

Under the terms of a Dairy Research and Promotion Agreement, the Council provided capital of \$1,137,933 in the form of cash and other assets to American Dairy Association/Dairy Council of the Upper Midwest, Inc. (ADA/DC) on July 1, 1993. This investment, along with the investments made by the North Dakota Dairy Promotion Commission and American Dairy Association of South Dakota, totaled \$1,500,000. These investments enabled ADA/DC to commence operations and provide working capital for the activities of coordinating and implementing dairy promotion, research and education programs on behalf of dairy producers in Minnesota, North Dakota and South Dakota.

Investment Capital provided by the Council consisted of the following:

Cash	\$	43,108
Cash and other current assets—contributed to the Council by the Dairy Council of Minnesota		112,909
Furniture, equipment and automobiles—contributed to the Council by the Dairy Council of Minnesota (at net book value)		108,354
Furniture, equipment and automobiles—purchased from the American Dairy Association of Minnesota (at net book value)		181,267
Transfer of marketable certificates of deposits and accrued interest		692,295
Total	\$	1,137,933

On January 1, 2000, ADA/DC combined with Midland Dairy Association. ADA/DC was the surviving entity, and it was renamed Midwest Dairy Association (Midwest Dairy).

In the event the Dairy Research and Promotion Agreement between the Council and Midwest Dairy is terminated, the Council may receive a refund of its contributed capital. Upon termination, Midwest Dairy has the right to determine the appropriate disposition of the Council's capital contribution. However, until the capital is refunded in full, and as long as Midwest Dairy exists, the Council's contribution shall be reflected as contributed capital on Midwest Dairy's financial records.

At December 31, 2025, Midwest Dairy had net assets of \$5,108,144 which included the \$1,500,000 of initial contributed capital by the members of Midwest Dairy.

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RELATED PARTY TRANSACTIONS

The Council contracted with Midwest Dairy, which is related through common management, to implement and administer programs intended to contribute to the betterment of Minnesota's dairy producers and the state's dairy industry. Such programs include, but are not limited to: strategic initiatives, wellness, farmer relations, consumer demand, dairy product research and innovation, farmer communications, and consumer confidence. Under the terms of the contracts, Midwest Dairy also provides the Council with administrative, financial, and reporting services. Payments under these contracts totaled \$9,995,000 and \$10,448,000 for the years ended December 31, 2025 and 2024, respectively, which totaled approximately 42% of the total revenues of Midwest Dairy in both years. The Council is dependent on Midwest Dairy to provide program and administrative services to the Council.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Council Members of Minnesota
Dairy Research and Promotion Council
Minneapolis, Minnesota

We have audited the financial statements of the Minnesota Dairy Research and Promotion Council as of and for the year ended December 31, 2025 and 2024, and our report thereon dated April 30, 2026, which expressed an unmodified opinion on those financial statements, appears on pages 1–2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The roster of Council Members, which is shown on page 11, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The roster of Council Members has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Boyum & Barenscheer PLLP

Boyum & Barenscheer PLLP
St. Paul, Minnesota
April 30, 2026

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL

COUNCIL MEMBERS AND CHIEF EXECUTIVE OFFICER

COUNCIL MEMBERS

- District 1: Kristine Spadgenske
- District 2: Eric Sonnek, Treasurer
- District 3: Anthony Anderson, Vice Chair
- District 4: Shirley Hulinsky
- District 5: Annie Vannurden
- District 6: Suzanne Vold
- District 7: Kate McAndrews
- District 8: Charles Krause
- District 9: Sarah Kuechle, Secretary
- District 10: Eric Hoese
- District 11: David Schwartz
- District 12: Karen Kasper
- District 13: Jean Annexstad
- District 14: Mindi Arendt
- District 15: Wayne Saemrow
- District 16: Margaret Johnson, Chair
- District 17: Rita Young, Executive Committee Member-At-Large
- District 18: Open

CHIEF EXECUTIVE OFFICER

Corey Scott, Midwest Dairy Association

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Council Members
of Minnesota Dairy Research and Promotion Council
& Thom Peterson, Commissioner
Minnesota Department of Agriculture

We have audited, 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, the financial statements of Minnesota Dairy Research and Promotion Council, which comprise the statements of assets, liabilities and fund balance—modified cash basis as of December 31, 2025, and the related statements of revenues, expenses and changes in fund balance—modified cash basis, and cash flows—modified cash basis, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2026. As discussed in Note 1, the financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota Dairy Research and Promotion Council’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Minnesota Dairy Research and Promotion Council’s internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota Dairy Research and Promotion Council’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota Dairy Research and Promotion Council's financial statements are free of material misstatement, we performed tests of its compliance with Minnesota Department of Agriculture regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Dairy Research and Promotion Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Boyum & Barescheer PLLP".

Boyum & Barescheer PLLP
St. Paul, Minnesota
April 30, 2026