

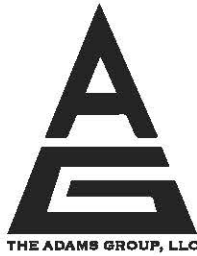
**COLORADO BEEF COUNCIL AUTHORITY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022**

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CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

Board of Directors  
Colorado Beef Council Authority  
Englewood, Colorado

### **Opinion**

We have audited the accompanying Statement of Cash Receipts and Disbursements of Colorado Beef Council Authority, as of and for the year ended June 30, 2022, and the related notes to the Statement of Cash Receipts and Disbursements, which collectively comprise the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the, cash receipts and cash disbursements of the Colorado Beef Council Authority, as of June 30, 2022, in accordance with the cash basis of accounting described in Note 1.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Colorado Beef Council Authority, 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 opinions.

### **Emphasis of Matter—Basis of Accounting**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the 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' 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 generally accepted 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 generally accepted auditing standards, 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 Colorado Beef Council Authority'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 Colorado Beef Council Authority'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Receipts - Program Basis (Supplementary Information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of the Colorado Beef Council Authority'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 Colorado Beef Council Authority'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 Colorado Beef Council Authority's internal control over financial reporting and compliance.

***Report on Other Legal and Regulatory Requirements***

In accordance with the provisions of the Beef Promotion and Research Act of 1985 and Section 1260.181(b)(7) of the Promotion and Research Order relative to the use of funds collected by the Colorado Beef Council Authority insofar as they relate to accounting matters, we have also issued our report dated September 27, 2022 on our consideration of the Colorado Beef Council Authority's compliance with these provisions. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

*The Adams Group, LLC*

September 27, 2022  
Denver, Colorado

COLORADO BEEF COUNCIL AUTHORITY  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

As of and For the Year Ended June 30,	2022
<b>Receipts:</b>	
Check-off assessments, net	\$ 1,611,664
Interest income	1,648
<b>Total receipts</b>	<u>1,613,312</u>
<b>Disbursements:</b>	
Beef promotion and programs	891,058
Salaries	358,854
Collection fees	99,302
Employee benefits	85,475
Rent	57,741
Repairs and maintenance	15,268
Payroll taxes	27,364
Other employee expenses	24,336
Professional fees	13,264
Miscellaneous	7,392
Brand board	6,000
Board expenses	9,922
Computer and office supply	7,302
Postage	4,713
Telephone	2,441
<b>Total disbursements</b>	<u>1,610,432</u>
Excess of receipts over disbursements	2,880
Cash and cash equivalents balance, beginning of year	<u>1,767,548</u>
Cash and cash equivalents balance, end of year	<u>\$ 1,770,428</u>

The accompanying notes to the financial statement are an integral part of this statement.

COLORADO BEEF COUNCIL AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The Colorado Beef Council Authority (the “Authority”) was formed in 1965 as the Colorado Beef Board in accordance with the Promotion and Marketing Beef Act, which was approved April 23, 1965 and put into effect July 1, 1965. The Authority’s name was changed to the Colorado Beef Council Authority in July 1985 with the passage of the Beef Board Bill.

The 1985 Farm Bill also established the Beef Promotion and Research Act (BPRA) and the Beef Promotion and Research Order (BPRO), which authorized the Authority to become a Qualified State Beef Council (QSBC) and begin collecting the check-off funds for the Cattlemen’s Beef Promotion and Research Board (CBB). QSBCs must have written procedures that ensure proper collection and compliance procedures as prescribed by the BPRA, the BPRO, and the CBB.

The Authority is an independent State Authority. The Authority is controlled by a Board of Directors appointed by the Governor of Colorado, consisting of eight industry representatives from the producer, feeder, dairy, processing, and marketing segments of Colorado’s beef industry. The State of Colorado exercises no other control over the Authority. The Authority is not financially accountable to any other organization, nor is it a component unit of another primary governmental entity. The Authority receives oversight from the United States Department of Agriculture - Agriculture Marketing Service and is held accountable to strict approval processes for all business activities including financial, marketing/advertising, and legal matters.

A summary of the Authority’s significant accounting policies follows:

Basis of Accounting

The Authority’s accounts are maintained on the cash basis of accounting and the Statement of Cash Receipts and Disbursements reflects only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenditures, which may be material in amount, are not reflected in the accompanying financial statement. The statement as presented is not intended to present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

All highly liquid investments, including certificates of deposit, with an original maturity of one year or less are considered to be cash equivalents for purposes of the Statement of Cash Receipts and Disbursements. Certificates of deposit are recorded at amortized cost, which approximates market value due to the short-term nature of these investments.

COLORADO BEEF COUNCIL AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Authority's investment policy stipulates that investments may be in short-term, high quality instruments that include U.S. government securities, U.S. government-only money market funds with a current rating from Moody's of Aaa or Standard & Poor's rating of AAA, or bank repurchase agreements executed with a sound financial institution. Bank repurchase agreements must be collateralized by securities issued, fully insured or guaranteed by the U.S. Treasury, a U.S. government agency, or U.S. government-sponsored corporation.

Securities issued, fully insured, or guaranteed by the following agencies/corporations, are acceptable investments provided the security has a maturity date of one year or less at the time of purchase. Declining-balance securities, such as mortgage-backed securities, are not acceptable.

- U.S. Treasury
- Federal Farm Credit Bank
- Federal Home Loan Bank
- Federal National Mortgage Association
- Federal Home Loan Mortgage Corporation
- Student Loan Marketing Association

These securities and the Government National Mortgage Association mortgage-backed securities are acceptable collateral for repurchase agreements purchased by the Authority, regardless of the length of maturity of the instrument, provided the market value of the collateral is at times at least 102% of the amount invested in the repurchase agreement.

The Authority did not have any investments at June 30, 2022 or 2021, other than the cash equivalents disclosed in Note 2.

Check-off Assessments, Net

The Authority's programs are financed by the \$1 per head assessment on sales of Colorado domestic cattle. Receipts are collected as sales of cattle are brand inspected to the Authority by other states. The Authority is required to contribute to the CBB 50% of gross fees resulting from cattle sales. A portion of the remaining funds collected is remitted to the state of origin, while the remainder is retained by the Authority and used for promotion and research efforts in Colorado. The Authority is economically dependent on receipts related to check-off assessments, which account for 99% of the Authority's total receipts.

Income Taxes

The Authority's income is not subject to income taxes as provided in Section 115 of the Internal Revenue Code.

COLORADO BEEF COUNCIL AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Spending and Debt Limitations

Colorado voters passed an amendment of the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Authority believes it is not subject to the requirements of this amendment.

Budget and Budgetary Accounting

The Authority is exempt from Colorado budget law.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority carries commercial insurance to cover risks of loss that might occur, subject to nominal deductible amounts. Settled claims related to any of these risks have not exceeded commercial insurance coverage in the past three years.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 27, 2022, which is the date the financial statements were available to be issued

NOTE 2 - CASH AND CASH EQUIVALENTS

The Authority's policies with respect to cash, cash equivalents, and investments have been established to comply with the policies outlined by the Agricultural Marketing Service (AMS) and the CBB.

All bank deposits (e.g., checking, savings, or certificates of deposit) must be established at financial institutions having Federal Deposit Insurance Corporation (FDIC) insurance.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

The pool is maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks is required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2022, the Authority's cash deposits had a book balance of \$70,482 and a corresponding bank balance of \$347,552. The difference between the book and bank balances is primarily due to outstanding checks not yet processed by the banks. Of the bank balance, \$250,000 was covered by FDIC and \$97,552 was collateralized under PDPA.

COLORADO BEEF COUNCIL AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2022

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2021, the Authority's cash deposits had a book balance of \$167,602 and a corresponding bank balance of \$495,995. The difference between the book and bank balances is primarily due to outstanding checks not yet processed by the banks. Of the bank balance, \$250,000 was covered by FDIC and \$245,995 was collateralized under PDPA.

Cash equivalents: Cash equivalents are comprised of certificates of deposit with original maturities of 12 months or less. As a means of limiting its exposure to losses arising from rising interest rates, the Authority's investment policy limits its investments to maturities of one year or less.

As of June 30, 2022 and 2021, the Authority had the following cash equivalents:

	<u>Interest Rate</u>	<u>Balance</u>
June 30, 2022	0.05 - 2.60%	\$ 1,699,946
June 30, 2021	0.00 - 0.15%	\$ 1,599,946

NOTE 3 - EMPLOYEE BENEFITS

Effective July 1, 2001, eligible employees are able to participate in the Simplified Employee Pension Plan, a defined contribution plan. Authority contributions are 10% of employee compensation with no employee match. The contributions may be amended at the discretion of the Authority's Board of Directors. Contributions made by the Authority were \$35,067 for the year ended June 30, 2022.

NOTE 4 - COMPENSATED ABSENCES

The Authority provides paid time off (PTO) to employees working 20 hours or more per week. Employees accrue PTO based on their actual hours, up to 40 hours worked, during each pay period. The maximum PTO balance (cap) full-time employees can accrue is based on years of service – up to a maximum of 21 working days during the first 5 years of employment. After 5 years of employment, employees can accrue up to 25 days, after 10 years of employment, 29 days, after 15 years, 30 days, and after 20 years, 31 days. For employees working  $\frac{3}{4}$  time, PTO is calculated at  $\frac{3}{4}$  rate. Once caps are reached, employees cannot accrue additional PTO until they take time off and their balance falls below their particular cap. All earned vacation time as of July 1, 2021 (when the PTO policy took effect) was rolled into individual banks that can be used by employees to satisfy the waiting period for the Authority's long-term disability policy, which is 90 days, or may be used to supplement PTO. Accrued PTO and bank time will be paid out upon termination. As of June 30, 2022, the liability for paid time off was \$48,839.

COLORADO BEEF COUNCIL AUTHORITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2022

NOTE 5 - COMMITMENTS AND CONTINGENCIES

As in prior fiscal years, the Authority has an agreement with the Federation of State Beef Councils (the “Federation”) to remit a portion of its net revenues to the Federation for advertising and program expenditures. Additionally, the Authority has the same type of agreement with the U.S. Meat Export Federation (USMEF). The Authority has commitments with various groups, including the Federation and USMEF, for advertising, promoting its product, and sponsoring various events over the next fiscal year. These agreements generally have a term of one year or less. The Authority paid \$58,000 to the Federation during the year ended June 30, 2022.

The Authority leases its business premises under an operating lease expiring in June 2023. The following is a summary of the minimum lease payments existing as of June 30, 2022:

Years Ending June 30:

2023	\$ 58,831
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The Authority is also responsible for its ratable share of expenses for maintenance of the common areas within the building. Total rent expense under these operating leases was \$57,741 for the year ended June 30, 2022.

Global COVID-19 Pandemic

The 2020 outbreak of COVID-19 has been declared a pandemic and has spread to multiple global regions. The impact of this pandemic has been extensive in many aspects of society, which has resulted in significant disruptions to the global economy. In an effort to halt the outbreak of COVID-19, many governments around the world have encouraged or required that people only leave their home for essential tasks and many businesses have announced closures. This may have a negative impact on the Authority, the magnitude and duration of which is uncertain.

## SUPPLEMENTARY INFORMATION

COLORADO BEEF COUNCIL AUTHORITY  
SCHEDULE OF RECEIPTS – PROGRAM BASIS

<u>For the Year Ended June 30,</u>	<u>2022</u>
Receipts:	
Gross check-off assessments	\$4,865,121
Assessment revenues remitted to state of origin	(1,641,792)
Assessment revenues remitted to Cattlemen's Beef Promotion and Research Board	(1,611,665)
Collection fees charged by state agency	(105,302)
<b>Net assessment receipts</b>	<u>1,506,362</u>
Interest income	<u>1,648</u>
<b>Total receipts</b>	<u><u>\$1,508,010</u></u>

Independent Auditor’s Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of the Financial  
Statement Performed in Accordance with  
*Government Auditing Standards*

Board of Directors  
Colorado Beef Council Authority  
Englewood, Colorado

We have audited, in accordance with the 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 Statement of Cash Receipts and Disbursements of the Colorado Beef Council Authority (the “Authority”), as of and for the year ended June 30, 2022, and the related notes to the Statement of Cash Receipts and Disbursements, which collectively comprise the Authority’s basic financial statement, and have issued our report thereon dated September 27, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority’s financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 27, 2022  
Denver, Colorado

## Independent Auditors' Report on Compliance

Board of Directors  
Colorado Beef Council Authority  
Englewood, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America, the Statement of Cash Receipts and Disbursements of the Colorado Beef Council Authority (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the Statement of Cash Receipts and Disbursements, which collectively comprise the Authority's basic financial statement, and have issued our report thereon dated September 27, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that (i) the Authority 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 Authority insofar as they relate to accounting matters, or (ii) that the Authority failed to accurately allocate expenses that it shared with any entity or funding source in a manner that complies with the Act and the Order. Further, nothing came to our attention that caused us to believe the Authority was not in compliance with the provisions of the Beef Board Investment Policy for Qualified State Beef Councils dated March 14, 2016, which describes the type of instruments in which the Authority may invest. Our audit was not, however, directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced conditions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, the Cattlemen's Beef Promotion and Research Board, the U.S. Department of Agriculture, and the State of Colorado and is not intended to be, and should not be, used by anyone other than those specified parties.

September 27, 2022  
Denver, Colorado