

CONSOLIDATED FINANCIAL STATEMENTS

U.S. Dairy Export Council and Affiliates
Years Ended December 31, 2023 and 2022
With Reports of Independent Auditors

Ernst & Young LLP



U.S. Dairy Export Council and Affiliates

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

Contents

Report of Independent Auditors.....	1
Report of Independent Auditors 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>	3
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	5
Consolidated Statements of Activities and Changes in Net Assets	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9

Report of Independent Auditors

The Board of Directors
U.S. Dairy Export Council and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of U.S. Dairy Export Council and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of U.S. Dairy Export Council and Affiliates at December 31, 2023 and 2022, and the changes in its net assets and its 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 U.S. Dairy Export Council and Affiliates 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 U.S. Dairy Export Council and Affiliates’ ability to continue as a going concern for 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 of 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 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 U.S. Dairy Export Council and Affiliates' 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 U.S. Dairy Export Council and Affiliates' 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of U.S. Dairy Export Council and Affiliates' 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 U.S. Dairy Export Council and Affiliates' 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 U.S. Dairy Export Council and Affiliates' internal control over financial reporting and compliance.

Ernst & Young LLP

March 25, 2024

Report of Independent Auditors 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*

The Board of Directors
U.S. Dairy Export Council and Affiliates

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 (*Government Auditing Standards*), the consolidated financial statements of U.S. Dairy Export Council and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered U.S. Dairy Export Council and Affiliates’ 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 U.S. Dairy Export Council and Affiliates’ internal control. Accordingly, we do not express an opinion on the effectiveness of U.S. Dairy Export Council and Affiliates’ 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 entity’s financial statements 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. 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 U.S. Dairy Export Council and Affiliates' financial statements are free of 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 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 25, 2024

U.S. Dairy Export Council and Affiliates

Consolidated Statements of Financial Position

	December 31	
	2023	2022
Assets		
Current assets:		
Cash and restricted cash	\$ 3,276,552	\$ 5,165,590
Accounts receivable	2,699,742	4,324,192
Contributions receivable	2,000,000	1,500,000
Prepaid expenses	720,291	612,931
Deposits	17,330	31,250
Amount due from DMI	20,898	30,771
Total current assets	8,734,813	11,664,734
Noncurrent contributions receivable, net	—	1,426,749
Deposits, less current portion	127,193	76,933
Fixed assets, net of accumulated depreciation	130,892	174,874
Operating right-of-use assets	2,605,611	3,241,068
Total assets	<u>\$ 11,598,509</u>	<u>\$ 16,584,358</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 3,017,984	\$ 5,287,755
Accrued liabilities	650,856	343,895
Operating lease obligations	766,000	742,668
Amount due to DMI	1,379,908	1,912,965
Deferred revenue	84,000	208,100
Total current liabilities	5,898,748	8,495,383
Noncurrent liabilities:		
Operating lease obligations, less current portion	2,406,487	3,138,016
Total noncurrent liabilities	2,406,487	3,138,016
Net assets:		
Without donor restrictions	864,672	1,456,192
With donor restrictions	2,428,602	3,494,767
Total net assets	3,293,274	4,950,959
Total liabilities and net assets	<u>\$ 11,598,509</u>	<u>\$ 16,584,358</u>

See accompanying notes.

U.S. Dairy Export Council and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended December 31		
	2023	Without	With
	Total	Donor	Donor
		Restrictions	Restrictions
Revenues			
DMI funding (excluding Export Assistance Program funding)	\$ 21,143,001	\$ 21,143,001	\$ —
FAS grant funding	8,245,694	8,245,694	—
Export Assistance Program funding	1,273,251	—	1,273,251
Membership dues	1,817,500	1,817,500	—
Other	540,900	185,400	355,500
Net assets released from restrictions	—	2,694,916	(2,694,916)
Total revenues	33,020,346	34,086,511	(1,066,165)
Expenses			
Program expense	33,332,904	33,332,904	—
General and administrative	1,345,127	1,345,127	—
Total expenses	34,678,031	34,678,031	—
Change in net assets	(1,657,685)	(591,520)	(1,066,165)
Net assets, beginning of year	4,950,959	1,456,192	3,494,767
Net assets, end of year	\$ 3,293,274	\$ 864,672	\$ 2,428,602

See accompanying notes.

U.S. Dairy Export Council and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended December 31		
	2022 Total	Without Donor Restrictions	With Donor Restrictions
Revenues			
DMI funding (excluding Export Assistance Program funding)	\$ 20,296,374	\$ 20,296,374	\$ —
FAS grant funding	8,221,558	8,221,558	—
Export Assistance Program funding	—	—	—
Membership dues	1,855,500	1,855,500	—
Other	475,950	105,450	370,500
Net assets released from restrictions	—	5,257,843	(5,257,843)
Total revenues	30,849,382	35,736,725	(4,887,343)
Expenses			
Program expense	35,485,156	35,485,156	—
General and administrative	1,299,855	1,299,855	—
Total expenses	36,785,011	36,785,011	—
Change in net assets	(5,935,629)	(1,048,286)	(4,887,343)
Net assets, beginning of year	10,886,588	2,504,478	8,382,110
Net assets, end of year	<u>\$ 4,950,959</u>	<u>\$ 1,456,192</u>	<u>\$ 3,494,767</u>

See accompanying notes.

U.S. Dairy Export Council and Affiliates

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2023	2022
Operating activities		
Change in net assets	\$ (1,657,685)	\$ (5,935,629)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	72,859	435,042
Noncash lease expense	(72,740)	(54,071)
Changes in assets and liabilities:		
Accounts receivable	1,624,450	(2,650,742)
Contributions receivable	926,749	4,055,166
Prepaid expenses	(107,360)	12,790
Deposits	(36,340)	36,749
Accounts payable and accrued liabilities	(1,962,810)	976,577
Amount due to/due from DMI	(523,184)	2,580,148
Deferred revenue	(124,100)	94,900
Net cash used in operating activities	(1,860,161)	(449,070)
Investing activities		
Purchases of fixed assets	(28,877)	(108,320)
Net cash used in investing activities	(28,877)	(108,320)
Net decrease in cash and restricted cash	(1,889,038)	(557,390)
Cash and restricted cash, beginning of year	5,165,590	5,722,980
Cash and restricted cash, end of year	<u>\$ 3,276,552</u>	<u>\$ 5,165,590</u>
Supplemental disclosure		
Noncash recognition of leases under new lease standard	<u>\$ —</u>	<u>\$ 639,616</u>

See accompanying notes.

U.S. Dairy Export Council and Affiliates
Notes to Consolidated Financial Statements

December 31, 2023 and 2022

1. Organization

U.S. Dairy Export Council (USDEC) was founded by the boards of both National Dairy Promotion and Research Board and United Dairy Industry Association (UDIA) and began operations effective January 1, 1996. The purpose of USDEC is to improve the marketing conditions for the U.S. dairy industry with respect to the export of U.S. dairy products by promoting the acceptability, consumption, and purchase of U.S. dairy products in international markets. USDEC is an independent membership organization staffed by Dairy Management Inc. (DMI) and headquartered in Arlington, Virginia. Eligible member organizations are allocated representation on USDEC's Board of Directors based upon the amount of membership dues contributed. Member organizations select representatives from their respective organizations to serve on USDEC's Board of Directors.

Effective July 4, 2019, USDEC founded U.S. Dairy Export Council, Singapore Ltd. (USDEC Singapore) and registered it as a Public Company Limited by Guarantee within Singapore. This entity was established to further strengthen demand for U.S. dairy products in Southeast Asia and other Asian markets by securing access, enhancing trading competencies, and facilitating sales.

During 2019, USDEC registered Consortium for Common Food Names (CCFN) as an unincorporated association under Washington, D.C.'s Unincorporated Association Act. This entity is designed to protect food industry members' rights to use common food names worldwide in their business.

On February 18, 2021, USDEC registered U.S. Dairy Export Council Shanghai Representative Office (USDEC Shanghai) as a foreign non-governmental organization in support of business activities in China. This entity was established to comply with Chinese law regarding Non-Governmental Organizations doing business in China.

USDEC, together with its affiliates USDEC Singapore, CCFN, and USDEC Shanghai (collectively, the Company) are under the control of USDEC's Board of Directors, and accordingly, their results are included in the accompanying consolidated financial statements of USDEC. All intercompany transactions between these entities have been eliminated.

A significant portion of the Company's funding comes from DMI, a related party. In 2023 and 2022, DMI funded the Company with \$21,143,001 and \$20,296,374, respectively, for marketing programs and other export-related activities, and for the administration of these programs, including staffing and other operations-related expenses.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

Other funding is received from members in the form of membership dues, from the United States Department of Agriculture's Foreign Agricultural Service (FAS) in the form of grant revenue, and from state and regional dairy organizations (States/Regions) in support of the Export Assistance Program (EAP).

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). These principles require management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates.

Cash and Restricted Cash

Cash includes checking and interest-bearing demand deposit accounts with financial institutions.

The Company has cash balances at a financial institution that exceed federal depository insurance limits. All deposits maintained at financial institutions are fully collateralized daily in U.S. Treasury securities at the Federal Reserve Bank of St. Louis.

The Company has restricted cash of \$379,055 and \$876,241 at December 31, 2023 and 2022, respectively, related to EAP and CCFN, which is included in cash and restricted cash on the balance sheet.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets

For reporting purposes, the Company classifies resources based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions. This net asset category consists of unspent member dues recognized as revenue over the membership period, which is January 1 through December 31, and DMI funding recognized as revenue related to USDEC Singapore.
- *With donor restrictions* – Net assets subject to donor-imposed restrictions that will be met either by actions of the Company or by the passage of time. Items that affect this net asset category are contributions that are restricted to specific programs of the organization.

Detail of Net Assets	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Operating	\$ 864,672	\$ –	\$ 864,672	\$ 1,456,192	\$ –	\$ 1,456,192
Export Assistance Program	–	2,000,000	2,000,000	–	2,926,749	2,926,749
Trade Policy Program	–	428,602	428,602	–	568,018	568,018
Net assets	<u>\$ 864,672</u>	<u>\$ 2,428,602</u>	<u>\$ 3,293,274</u>	<u>\$ 1,456,192</u>	<u>\$ 3,494,767</u>	<u>\$ 4,950,959</u>

Financial Instruments

The carrying values of cash and restricted cash, accounts receivable, prepaid expenses, deposits, amounts due from/to DMI, accounts payable, accrued liabilities, and deferred revenue are reasonable estimates of fair value.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. At December 31, 2022, the present value of noncurrent contributions receivable was discounted at a rate of 4.73%. Conditional promises to give are not included as support until the conditions are substantially met.

All contributions receivable relate to commitments made to the EAP and are deemed collectible at December 31, 2023 and 2022. At December 31, contributions receivable are expected to be received as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 2,000,000	\$ 1,500,000
One to five years	—	1,500,000
	<u>2,000,000</u>	<u>3,000,000</u>
Less present value component	—	(73,251)
	<u>\$ 2,000,000</u>	<u>\$ 2,926,749</u>

Fixed Assets

Depreciation is provided in amounts sufficient to charge the cost of the depreciable assets to operations over their estimated service lives of three to eight years using the straight-line method.

Leases

Effective January 1, 2022, the Company's lease accounting policy changed in conjunction with the adoption of Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach. There was no adjustment to the Company's opening net asset balance resulting from the adoption of this guidance. For further discussion, refer to Note 7.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Company primarily has leases for office space and office equipment. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company has lease agreements with lease and non-lease components. The Company has elected the practical expedient not to separate non-lease components for office space or equipment leases.

For any leases with an initial term in excess of 12 months, the Company determines whether an arrangement is a lease at contract inception by evaluating whether the contract conveys the right to use and control the specific property or equipment. Certain lease agreements contain purchase or renewal options. These options are included in the lease term when it is reasonably certain that the Company will exercise that option. Generally, the Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

Right-of-use assets represent the right to use an underlying asset for the lease term, and lease obligations represent an obligation to make lease payments arising from the lease. Right-of-use assets and lease obligations are recognized based on the present value of future lease payments over the lease term at the lease commencement date. When determining the present value of future payment, the Company uses the risk-free borrowing rate when the implicit rate is not readily determinable.

Leases with an initial term of 12 months or less are not recorded as right-of-use assets and lease obligations in the consolidated statement of financial position. Lease expense for these leases is recognized on a straight-line basis over the lease term.

Revenue Recognition

Contributions are evaluated to determine whether the contribution is conditional or unconditional. If the contribution is conditional, recognition is deferred until the conditions are met. If the contribution is unconditional, recognition occurs in the period the pledge is made.

Membership dues are recognized as revenue over the membership period, which is January 1 through December 31.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Deferred Revenue

The Company's deferred revenue consists of membership dues received from current members related to future membership periods and sponsorship funding for 2024 program activities. Deferred revenue from membership dues totaled \$84,000 and \$200,000 as of December 31, 2023 and 2022, respectively. Deferred revenue from sponsorship funding totaled \$0 and \$8,100 as of December 31, 2023 and 2022, respectively.

Income Taxes

USDEC has received a determination letter from the Internal Revenue Service indicating that it is exempt from federal and state income taxes on related income under Section 501(c)(6) of the Internal Revenue Code. CCFN's income statement and balance sheet are included in USDEC's tax filings. USDEC, which includes CCFN, is subject to taxes on unrelated business income and on the portion of membership dues related to certain lobbying activities. USDEC had no material unrelated business income in 2023 or 2022. USDEC has elected to transfer the tax obligation related to its lobbying activities back to its members.

Established in 2019, USDEC Singapore is a Public Company Limited by Guarantee. USDEC Singapore incurs expenses on behalf of USDEC and, in accordance with the guidelines and practice of the Inland Revenue Authority of Singapore, earns arm's-length consideration from USDEC that is subject to Singapore income tax. The income is taxable at 17% and is not material to USDEC for the years ended 2023 or 2022.

Recent Account Pronouncement Adopted

Effective January 1, 2023, the Company adopted Accounting Standards Update (ASU) 2016-13, *(Topic 326): Measurement of Credit Losses on Financial Instruments*. The core principle of the new accounting guidance changes the methodology to be used to measure credit losses for certain financial instruments and financial assets, including accounts receivable. The new methodology requires the recognition of an allowance that reflects the current estimate of credit losses expected to be incurred over the life of the financial asset. The adoption and full retrospective application of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Functional Classification of Expenses

The Company's primary program activities, which serve to promote U.S. dairy products in international markets, are noted in the following table. Additionally, expenses reported as general and administrative are incurred in support of these primary program activities. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation methodologies, including program expense budget percentages, headcount, and time and effort.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

3. Functional Classification of Expenses (continued)

Expenses by functional classification for the year ended December 31, 2023, consist of the following:

	Program Services								Support Activities	
	Center for Dairy Excellence	Market Access & Sustainability	Trade Policy	Strategy Insights & Economic Analysis	Communications and Memberships	Market Development	International Representation	Evaluation and Cross-Dept. Operations	General and Administrative	Total Expenses
Staffing and travel	\$ 387,134	\$ 1,436,763	\$ 80,267	\$ 790,712	\$ 1,640,667	\$ 5,058,847	\$ –	\$ 327,575	\$ 1,345,127	\$ 11,067,092
Operations and IT	473,669	231,193	–	242,458	257,526	851,819	–	519,382	–	2,576,047
Professional services	381,143	1,349,822	3,112,703	825,364	830,680	8,108,446	6,373,741	52,993	–	21,034,892
	<u>\$ 1,241,946</u>	<u>\$ 3,017,778</u>	<u>\$ 3,192,970</u>	<u>\$ 1,858,534</u>	<u>\$ 2,728,873</u>	<u>\$ 14,019,112</u>	<u>\$ 6,373,741</u>	<u>\$ 899,950</u>	<u>\$ 1,345,127</u>	<u>\$ 34,678,031</u>

Expenses by functional classification for the year ended December 31, 2022, consist of the following:

	Program Services								Support Activities	
	Center for Dairy Excellence	Market Access & Sustainability	Trade Policy	Strategy Insights & Economic Analysis	Communications and Memberships	Market Development	International Representation	Evaluation and Cross-Dept. Operations	General and Administrative	Total Expenses
Staffing and travel	\$ 442,849	\$ 1,443,901	\$ 14,674	\$ 629,470	\$ 1,413,765	\$ 4,490,774	\$ –	\$ 241,299	\$ 1,299,855	\$ 9,976,587
Operations and IT	827,812	338,896	–	230,986	255,268	917,236	–	351,011	–	2,921,209
Professional services	285,666	2,089,329	3,095,841	1,227,422	785,977	10,302,646	5,957,013	143,321	–	23,887,215
	<u>\$ 1,556,327</u>	<u>\$ 3,872,126</u>	<u>\$ 3,110,515</u>	<u>\$ 2,087,878</u>	<u>\$ 2,455,010</u>	<u>\$ 15,710,656</u>	<u>\$ 5,957,013</u>	<u>\$ 735,631</u>	<u>\$ 1,299,855</u>	<u>\$ 36,785,011</u>

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

4. Financial Assets and Liquidity Resources

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and scheduled principal payments on debt, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 2,897,497	\$ 4,289,349
Accounts receivable	2,699,742	4,324,192
Amount due from DMI, current portion	<u>20,898</u>	<u>30,771</u>
Total financial assets and liquidity resources available within one year	<u>\$ 5,618,137</u>	<u>\$ 8,644,312</u>

As part of its liquidity management, the Company has a policy to structure its financial assets to be available as its general expenditures come due. In addition, the Company invests cash in excess of daily operating needs in overnight investments when supported by market conditions.

5. Accounts Receivable

Accounts receivable include amounts due from FAS for expenses incurred for qualified program activities, which totaled \$2,548,252 and \$4,102,829 as of December 31, 2023 and 2022, respectively.

6. Fixed Assets

The following is a summary of fixed assets, valued at historical cost:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 881,690	\$ 873,995
Website	990,845	990,845
Furniture and equipment	605,973	584,791
Leasehold improvements	1,570,606	1,570,606
Exhibits and displays	<u>127,300</u>	<u>127,300</u>
Total acquisition cost	4,176,414	4,147,537
Less accumulated depreciation	<u>(4,045,522)</u>	<u>(3,972,663)</u>
	<u>\$ 130,892</u>	<u>\$ 174,874</u>

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

7. Leases

The following table is a summary of the weighted average remaining lease terms and weighted average discount rates of the Company's leases as of December 31, 2023:

	Weighted Average Remaining Lease Term (in Years)	Weighted Average Discount Rate
Operating leases	4.56	1.90%

The following table sets forth other supplemental information related to the Company's lease portfolio as of December 31, 2023:

Cash paid for amounts included in the measurements of
lease obligations:

Operating cash flows for operating leases	\$ 790,374
---	------------

The future minimum annual lease payments under operating leases based on the expected term as of December 31, 2023 are as follows:

2024	\$ 781,030
2025	730,383
2026	568,337
2027	582,546
2028	597,109
Future minimum lease payments	<u>3,259,405</u>
Less remaining imputed interest	<u>(86,918)</u>
Present value of lease liabilities	<u><u>\$ 3,172,487</u></u>

The Company incurred \$6,482 in lease expense for the period from January 1, 2023 to December 31, 2023 and \$5,739 in lease expense for the period from January 1, 2022 to December 31, 2022 for the leases to which the Company applied the practical expedient for short-term leases.

U.S. Dairy Export Council and Affiliates

Notes to Consolidated Financial Statements (continued)

7. Leases (continued)

The Company recorded lease expense of \$726,268 for the period from January 1, 2023 to December 31, 2023 and \$716,756 for the period from January 1, 2022 to December 31, 2022 for operating leases. The expenses are recorded in program expense and general and administrative on the consolidated statement of activities and changes in net assets.

8. Employee Retirement Plans

USDEC participates in a UDIA-sponsored defined contribution plan, which covers all eligible USDEC employees and employees of other UDIA members and industry organizations sponsored by UDIA. Under the terms of the defined contribution plan, USDEC contributes an amount equal to its employees' contributions, up to a maximum of 3% of eligible compensation for all employees. USDEC also contributes an additional 7% of eligible compensation, representing an unmatched contribution. USDEC's contributions to the savings plan were \$597,025 and \$537,022 for 2023 and 2022, respectively.

USDEC is a participant in a supplemental executive retirement plan (SERP) sponsored by DMI, which is an unfunded plan. For the year ended December 31, 2023, USDEC recorded a SERP expense and corresponding liability of \$78,733. For the year ended December 31, 2022, USDEC recorded a SERP expense and corresponding liability of \$52,411.

9. Subsequent Events

The Company has evaluated events occurring between January 1, 2024 and March 25, 2024, which is the date when the accompanying consolidated financial statements were available to be issued. No events subsequent to December 31, 2023, have been identified that require recognition or disclosure in the consolidated financial statements.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2024 Ernst & Young LLP.
All Rights Reserved.

ey.com