

***NORTH DAKOTA  
STOCKMEN'S ASSOCIATION***

**AUDIT REPORT**

December 31, 2022, and 2021

NORTH DAKOTA STOCKMEN'S ASSOCIATION

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NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Executive Committee and Board of Directors  
December 31, 2022

**Executive Committee**

Jason Leiseth, President Arnegard	Jeff Schafer, Immediate Past President New Rockford
Randy Schmitt, Vice President Rugby	Julie Ellingson, Executive Vice President St. Anthony

**Living Past Presidents**

Steve Brooks, Bowman	Dean Meyer, Dickinson
Roger Stuber, Bowman	Richard C. Tokach, St. Anthony
Jeff Dahl, Gackle	Gene Harris, Killdeer
Jason Zahn, Towner	Melvin Leland, Sidney, MT
Warren Zenker, Gackle	Mark Huseh, McLeod
Dan Rorvig, McVille	Jason Schmidt, Medina

**Board of Directors**

District 1	District 3	District 5
Erika Kenner, Leeds	Craig Kemmet, Tappen	Calli Thorne, Watford City
Bryan Ressler, Cooperstown	Lowell Malard, Bismarck	Howdy Lawlar, Watford City
Cliff Sanders, Jr., Clifford	Tim Erbele, Streeter	Joe Schettler, Killdeer
Justin Maddock, Maddock	Carter Vander Wal, Pollock, SD	Pete Best, Watford City
District 2	District 4	District 6
Wade Dally, Montpelier	Casey Voigt, Beulah	Chase Jacobson, Columbus
Jeff Breker, Havana	Scott Katus, Watauga, SD	Kevin Hansen, Ryder
Brian McDonald, Leonard	Joel Opp, Richardton	Shane Anderson, Towner
Jared Higgins, Woodworth	Wayne Hepper, Fort Yates	Gary Martens, Ross

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
North Dakota Stockmen's Association  
Bismarck, North Dakota

### **Opinion**

We have audited the accompanying financial statements of the North Dakota Stockmen's Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and 2021, and the related statements of activities and cash flows 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 the North Dakota Stockmen's Association as of December 31, 2022, and 2021, 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, as well as generally accepted 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 the North Dakota Stockmen's Association 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 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 North Dakota Stockmen's Association'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 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, including omissions, 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 North Dakota Stockmen's Association'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 North Dakota Stockmen's Association'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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, North Dakota Stockmen's Association adopted FASB ASU 2016-02, *Leases (Topic 842)*, and the Association has adjusted the presentation of the statements accordingly. Our opinion is not modified with respect to this matter.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of revenues and expenses by activity on pages 15 and 16 and the statements of functional expenses on pages 17 and 18 are presented for purposes of additional analysis and are 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.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2023, on our consideration of the North Dakota Stockmen's Association'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 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 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 North Dakota Stockmen's Association's internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
February 15, 2023

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 851,435	\$ 473,084
Accounts Receivable, Net	43,442	42,387
Prepaid Expenses	14,119	15,434
Total Current Assets	908,996	530,905
Long-Term Investments	3,166,611	2,921,322
Fixed Assets	1,467,813	1,435,665
Less Accumulated Depreciation	(384,640)	(366,128)
Net Fixed Assets	1,083,173	1,069,537
Total Assets	\$ 5,158,780	\$ 4,521,764
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 7,015	\$ 15,652
Payroll Taxes Payable	3,080	2,556
Income Taxes Payable	6,241	-
Unearned Income	1,855	8,620
Total Current Liabilities	18,191	26,828
Net Assets:		
Without Donor Restrictions:		
Designated - Estray	1,141,270	524,630
Undesignated	3,967,248	3,968,256
Total Without Donor Restrictions	5,108,518	4,492,886
With Donor Restrictions:		
Rewards	2,050	2,050
Building Contributions	30,021	-
Total With Donor Restrictions	32,071	2,050
Total Net Assets	5,140,589	4,494,936
Total Liabilities and Net Assets	\$ 5,158,780	\$ 4,521,764

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Statements of Activities

For the Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
Revenues:		
Association	\$ 546,445	\$ 403,059
Brand Inspection	1,878,169	2,500,675
Brand Recording	21,450	87,741
Environmental	354,410	164,467
Magazine	338,856	308,974
Total Revenues	3,139,330	3,464,916
Expenses:		
Association	429,420	348,226
Brand Inspection	1,869,762	1,861,229
Brand Recording	112,310	139,059
Environmental	346,897	140,450
Magazine	283,454	260,538
Total Expenses	3,041,843	2,749,502
Excess of Revenues Over (Under) Expenses Before Depreciation Expense	97,487	715,414
Less Depreciation Expense	(53,109)	(54,027)
Excess of Revenues Over (Under) Expenses	44,378	661,387
Other Sources/(Uses):		
Estray:		
Estray Income	864,334	409,869
Estray Interest Income	4,262	3,832
Estray Expenses	(197,838)	(262,871)
Total Other Sources/(Uses)	670,758	150,830
Unrealized Gain/(Loss) on Investments	(69,483)	16,386
Increase in net assets without donor restrictions	645,653	828,603
Net Assets, Beginning of Year	4,494,936	3,666,333
Net Assets, End of Year	\$ 5,140,589	\$ 4,494,936



NORTH DAKOTA STOCKMEN'S ASSOCIATION  
 Statements of Cash Flows  
 For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in Net Assets	\$ 645,653	\$ 828,603
Adjustments to reconcile net change to net cash provided by operating activities:		
Depreciation	53,109	54,027
Unrealized (gain) loss on mutual funds	69,483	(16,386)
(Increase) decrease in net accounts receivable	(1,055)	(5,343)
(Increase) decrease in income taxes receivable	-	3,072
(Increase) decrease in prepaid expenses	1,315	(2,851)
Increase (decrease) in payables	(1,872)	(11,013)
Increase (decrease) in unearned income	<u>(6,765)</u>	<u>(2,718)</u>
Net cash provided (used) by operating activities	759,868	847,391
Cash flows from investing activities:		
Cash paid for the purchase of fixed assets	(66,745)	(915,836)
Net investment in CDs	415,958	(1,043,087)
Net investment in Mutual Funds	(724,727)	-
Fees paid on investments	5,228	5,626
Reinvested investment income	<u>(11,231)</u>	<u>(21,137)</u>
Net cash provided (used) by investing activities	<u>(381,517)</u>	<u>(1,974,434)</u>
Net increase (decrease) in cash and equivalents	378,351	(1,127,043)
Cash and equivalents, beginning of year	<u>473,084</u>	<u>1,600,127</u>
Cash and equivalents, end of year	<u>\$ 851,435</u>	<u>\$ 473,084</u>
Interest Expense	<u>\$ -</u>	<u>\$ -</u>
Unrelated Business Income Tax	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Notes to Financial Statements  
December 31, 2022 and 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Dakota Stockmen's Association was incorporated to form an association for members in promotion of their common welfare, to ensure their rights as livestock owners and to inspect brands on all livestock sold in North Dakota under the century code. As authorized by the State Legislature, the Association also handles the brand recording for North Dakota, effective since August 1, 1993.

Basis of Presentation

The financial statements presented herein, represent the financial position and the results of operations of the North Dakota Stockmen's Association. Generally accepted accounting principles have been followed in the preparation of the financial statements. An accrual basis accounting system is maintained. Contribution revenues are recognized when received and revenues from exchange transactions are recognized when it has met its obligation for the revenue. Expenses are recognized when incurred.

Revenue Recognition

Inspection fees and brand renewal fees are recorded when received and recognized as revenue in the applicable period. These fees are non-refundable and thus are not deferred to future periods. Membership dues are recorded when received and are recognized as revenue during the applicable membership period. Membership dues collected prior to December 31 which relate to the next year are deferred until earned and are recorded as deferred revenue on the statement of financial position. Memberships may include both a contribution and a performance obligation by the Association. Contributions are recognized as revenue in the year in which they are received and are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions are accounted for as net assets with donor restrictions.

Net Asset Classifications

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require North Dakota Stockmen's Association to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. North Dakota Stockmen's Association currently has both net assets without donor restrictions and net assets with donor restrictions.

Cash Equivalents

The Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Notes to Financial Statements  
December 31, 2022 and 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are composed of mutual funds and certificates of deposit and are carried at fair value.

Income Taxes

The North Dakota Stockmen's Association is exempt from federal income tax under section 501 (c) (5) of the Internal Revenue Code and by virtue thereof is also exempt from North Dakota income tax. The Association does have unrelated business income from their magazine advertising sales, which is required to be reported on Form 990-T and applicable tax to be paid.

The Association has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. The implementation of this standard had no impact on the financial statements. As of the date of adoption and December 31, 2022, the unrecognized tax benefit accrual was zero.

The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The federal income tax returns of the Association are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

The Association maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At December 31, 2022, all funds were adequately covered by FDIC insurance and the sweep agreements with Dakota Community Bank and First International Bank for daily coverage amounts. At December 31, 2021, Dakota Community Bank had \$88,391 and First International Bank and Trust had \$1,000 of deposits that were not covered by FDIC insurance.

The Association also maintains an account including mutual funds and certificates of deposits with a brokerage firm. This firm participates in the Securities Investor Protection Corporation, which provides protection up to \$500,000 (with a limit of \$250,000 for cash) in the event of a brokerage firm liquidation. SIPC protection is not the same as FDIC protection because SIPC does not protect the value of any security. Investments are subject to fluctuations in market value. The certificates of deposit held in the brokerage account have FDIC coverage provided by the issuing banks.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Advertising Expense

Advertising costs are charged to expense when incurred. No direct-response advertising is used. Advertising and promotion expenses for the years ended December 31, 2022, and 2021, were \$30,031 and \$22,870, respectively.

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Notes to Financial Statements  
December 31, 2022 and 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates by management.

Significant Estimates

Estimates that are particularly susceptible to significant change include the valuation of investment in mutual funds. The Association's various investment instruments are exposed to a variety of risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investment will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Association will ultimately realize could differ materially.

Subsequent Events

The North Dakota Stockmen's Association has evaluated subsequent events through February 15, 2023, the date which the financial statements were available to be issued.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncement

The following accounting pronouncement has been implemented for the year ended December 31, 2022:

**ASU 2016-02, Leases (Topic 842)**

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-02 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP.

NOTE 2      DEPOSITS

Deposits are maintained with financial institutions as authorized by the board of directors. Receipts for brand fees and recording fees are public money and therefore must be remitted to the North Dakota State Treasury and appropriated back to the North Dakota Stockmen's Association. This procedure for brand fees and recording fees has been followed as required by North Dakota statutes.

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Notes to Financial Statements  
December 31, 2022 and 2021

NOTE 3      AVAILABILITY AND LIQUIDITY

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:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 851,435	\$ 473,084
Accounts Receivable, Net	43,442	42,387
Investments	3,166,611	2,921,322
Total financial assets	4,061,488	3,436,793
Less amounts not available to be used within one year:		
Designated - Estray	1,141,270	524,630
Net assets with donor restrictions	32,071	2,050
Financial assets available to meet general expenditures over the next twelve months	\$ 2,888,147	\$2,910,113

NOTE 4      ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2022, includes \$9,265 due from the ND Department of Environmental Quality. At December 31, 2021, accounts receivable includes \$10,362 due from the ND Department of Environmental Quality. The remaining accounts receivable in both years are due mostly from magazine ads and are all considered collectible. An allowance for uncollectible accounts has been provided in the amount of \$149 as of December 31, 2022, and \$149 as of December 31, 2021.

NOTE 5      PREPAID EXPENSES

Prepaid expenses include the unused premiums paid for worker's compensation and building, auto and liability insurance.

NOTE 6      FAIR VALUE MEASUREMENT

Fair value measurement presentation follows the provisions of the FASB Accounting Standards Codification Topic ASC 820. The provision prescribes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. Observable inputs include market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Notes to Financial Statements  
December 31, 2022 and 2021

NOTE 6 FAIR VALUE MEASUREMENT CONTINUED

Investments at December 31, 2022, and 2021, are summarized as follows:

	2022		2021	
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Unrestricted:				
Certificates of Deposit	\$ 2,054,042	\$ 2,054,042	\$ 2,470,000	\$ 2,470,000
Edward Jones Mutual Funds	1,112,569	1,112,569	451,322	451,322
Total	<u>\$ 3,166,611</u>	<u>\$ 3,166,611</u>	<u>\$ 2,921,322</u>	<u>\$ 2,921,322</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022, and 2021:

	2022	2021
Interest and dividends	\$ 22,902	\$ 32,273
Estray interest	4,262	3,832
Unrealized gain (loss)	(69,483)	16,386
Total investment return	<u>\$ (42,319)</u>	<u>\$ 52,491</u>

NOTE 7 FIXED ASSETS

All property is carried at cost and consists of the following at December 31, 2022:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 919,356	\$ -	\$ 919,356
Building	154,329	147,345	6,984
Furniture & Equipment	191,108	150,862	40,246
Vehicles	203,020	86,433	116,587
Total	<u>\$ 1,467,813</u>	<u>\$ 384,640</u>	<u>\$ 1,083,173</u>

Depreciation is calculated on the straight-line method over the estimated useful life of the asset. Useful lives are estimated as 50 years for the building, 5 to 10 years for furniture and equipment, and 5 years for vehicles.

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Notes to Financial Statements  
December 31, 2022 and 2021

NOTE 7      FIXED ASSETS CONTINUED

Depreciation expense for the years ended December 31, 2022, and 2021, was \$53,109 and \$54,027, respectively.

Changes in the fixed asset accounts are summarized as follows:

Fixed Assets, December 31, 2020	\$ 556,067
Purchases	915,836
Dispositions	<u>(36,238)</u>
Fixed Assets, December 31, 2021	1,435,665
Purchases	75,184
Dispositions	<u>(43,036)</u>
Fixed Assets, December 31, 2022	1,467,813
Less Accumulated Depreciation	<u>(384,640)</u>
Net Fixed Assets, December 31, 2022	<u><u>\$ 1,083,173</u></u>

NOTE 8      NET ASSETS

**Without Donor Restrictions:** Net assets without donor restrictions for the North Dakota Stockmen's Association include all general net assets as well as net assets that are designated by the board to be used for certain obligations but not specifically donor restricted. Board designated net assets of the Association include the following:

*Designated-estray:* It is the policy of the Association to separately account for funds received from sales of cattle, horses, and mules with undetermined ownership. Responsibilities and authorities relating to estrays are outlined in North Dakota Century Code 4.1-72 and 4.1-75. Money deposited from the sale of estrays is remitted to the North Dakota State Treasury. "Designated-estray" reflects the funds that must be available to pay livestock owners upon verification of their ownership.

**With Donor Restrictions:** "Rewards" reflects the funds that have been earmarked, from donor contributions and under the discretion of the board, to reward those who provide information leading to the arrest and conviction of livestock criminals. "Building Contributions" reflects the funds that have been earmarked, from donor contributions and under the discretion of the board, to be used for the future building project.

NOTE 9      LINE OF CREDIT

The Association has a line of credit with Wells Fargo Bank. The credit line limit is \$100,000 and the interest rate was 5 percent. At December 31, 2022, and 2021, the line of credit balance was \$0 and \$0, respectively. There was \$0 of interest paid on the line of credit in 2022 and \$0 of interest paid in 2021.

In 2021 the Association took out another line of credit with Dakota Community Bank with a credit limit of \$300,000 and interest rate of 3.25 percent. This line of credit was not used during 2022 or 2021.

NOTE 10      RETIREMENT PLAN

Effective January 1, 1998, the Association adopted an employer-sponsored 401(k) plan. All full-time employees are eligible after one year of employment. The Association will match up to five percent of the employee's elected contribution. The plan is administered by Alerus Financial. The Association's expense for the plan for the years ending December 31, 2022, and 2021, was \$25,646 and \$32,431 respectively.

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 11 BRAND RECORDING

On August 1, 1993, the North Dakota Stockmen's Association assumed the authority for brand recording for the State of North Dakota. The 2003 legislature approved, changing the renewal period from ten years to five years after the 2005 renewal. Brand renewals took place beginning in July 2020 bringing in revenue of \$468,350 for the year ended December 31, 2020. Late brand renewals in 2022 and 2021 brought in revenue of \$1,350 and \$49,875, respectively for the years ended December 31, 2022 and 2021. Brand renewals will again take place during 2025.

NOTE 12 ANNUAL LEAVE

No liability has been recorded for accrued annual leave because employees are required to use their annual leave each year.

NOTE 13 INCOME TAXES

The Association pays unrelated business income tax on the net income generated by the magazine it publishes and distributes. For 2022 and 2021 no estimates were paid during the year. At December 31, 2022 the Association had unrelated business income tax payable of \$419 due to the state and \$5,822 due to the IRS. At December 31, 2021 the Association had no unrelated business income tax payable due to the state and IRS. Total unrelated business income tax expense for the years ending December 31, 2022, and 2021, was \$6,241 and \$0, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

Blaine Northrop was the chief brand inspector for the North Dakota Stockmen's Association until August 2022. His son Destry Northrop is a part-time inspector at Dickinson and a local inspector. Joe Roshau is the inspector-in-charge at the Dickinson markets. His son, Allen Roshau, is also an inspector there.

NOTE 15 FUTURE BUILDING PROJECT

The North Dakota Stockmen's Association purchased a lot at 4520 Ottawa Street in September 2021. The North Dakota Stockmen's Association is working with the North Dakota Stockmen's Foundation on a building project. During 2022, the Association received \$30,021 of donations to be used for the new building.



***SUPPLEMENTARY  
INFORMATION***

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Statement of Revenues and Expenses by Activity  
For the Year Ended December 31, 2022

	Association	Brand Inspection	Brand Recording	Environmental	Magazine	Total
<b>Revenues:</b>						
Membership Dues	\$ 147,635	\$ -	\$ -	\$ -	\$ 23,475	\$ 171,110
Environmental Services - Administration	-	-	-	21,213	-	21,213
Environmental Services - BMP	-	-	-	280,067	-	280,067
NRCS	-	-	-	9,026	-	9,026
NRCS - Admin	-	-	-	38,524	-	38,524
Inspection Fees	-	1,729,486	-	-	-	1,729,486
Registered Feed Lots	-	7,691	-	-	-	7,691
Permanent Horse Permits	-	10,450	-	-	-	10,450
Other Fee Income	-	21,626	-	-	-	21,626
Advertising Income	-	-	-	-	270,738	270,738
Calendar	-	-	-	-	9,750	9,750
Directory	-	-	-	-	24,100	24,100
Convention	93,523	-	-	-	-	93,523
Spring Roundups	27,000	-	-	-	-	27,000
Ring Service	9,500	-	-	-	-	9,500
Special Projects	62,996	-	-	-	-	62,996
Environmental Stewardship	2,845	-	-	-	-	2,845
All Breeds Tour	14,550	-	-	-	-	14,550
Junior Beef Expo	13,878	-	-	-	-	13,878
Brand Renewal	-	-	1,350	-	-	1,350
New Brands	-	-	6,775	-	-	6,775
Transferred Brands	-	-	4,400	-	-	4,400
Brand Books	-	-	1,109	-	-	1,109
Donations	30,021	-	-	-	-	30,021
Contributions	117,958	97,097	6,945	5,580	8,336	235,916
Other Income	11,951	4,105	271	-	2,457	18,784
Investment Income	14,588	7,714	600	-	-	22,902
<b>Total Revenues</b>	<b>546,445</b>	<b>1,878,169</b>	<b>21,450</b>	<b>354,410</b>	<b>338,856</b>	<b>3,139,330</b>
<b>Expenses:</b>						
Wages	71,207	1,246,878	68,628	74,617	100,111	1,561,441
Benefits	16,312	333,902	21,149	22,860	30,657	424,880
<b>Total Wages &amp; Benefits</b>	<b>87,519</b>	<b>1,580,780</b>	<b>89,777</b>	<b>97,477</b>	<b>130,768</b>	<b>1,986,321</b>
Advertising & Promotion	16,936	7,876	255	4,964	-	30,031
All Breeds Tour	14,588	-	-	-	-	14,588
Audit	1,450	6,899	2,108	1,449	1,449	13,355
Awards	2,370	373	-	88	-	2,831
BMP & Engineering	-	-	-	225,068	-	225,068
Bank Fees	5,319	708	56	56	56	6,195
Board, Directors & Vice-President	3,497	1,632	375	375	385	6,264
Brand Board	-	1,791	147	-	-	1,938
Building	8,206	6,080	6,080	6,080	6,181	32,627
Calendar	-	-	-	-	4,783	4,783
Computers	1,853	2,560	1,858	455	1,275	8,001
Consulting Fees	18,677	15,315	1,120	747	1,494	37,353
Convention	82,067	219	-	120	120	82,526
Directory	-	-	-	-	15,486	15,486
Donations	19,495	-	-	-	-	19,495
Dues & Subscriptions	4,894	200	-	25	235	5,354
Environmental Stewardship	857	-	-	-	-	857
Feeder Council	4,963	-	-	-	-	4,963
Insurance	1,112	8,617	535	634	509	11,407
Junior Beef Expo	11,650	-	-	-	-	11,650
Legal	238	7,351	909	-	8	8,506
Legislative	4,103	-	-	-	-	4,103
Membership	22,709	-	-	-	-	22,709
Other	2,265	9,852	26	82	28,850	41,075
Postage	7,830	4,192	832	56	21,202	34,112
President	1,596	779	171	171	171	2,888
Printing	-	-	2,059	-	54,747	56,806
Retainers & Service Agreements	782	854	342	342	623	2,943
Seedstock Council	198	-	-	-	-	198
Special Projects	62,501	-	-	-	-	62,501
Spring Roundup	23,390	-	-	-	-	23,390
Sundry	704	193	54	5	32	988
Supplies	4,634	20,771	1,329	292	3,930	30,956
Telephone	1,141	12,576	1,027	2,284	1,559	18,587
Travel	11,876	180,144	3,250	6,127	3,350	204,747
Unrelated Business Income Tax	-	-	-	-	6,241	6,241
<b>Total Expenses Before Depreciation</b>	<b>429,420</b>	<b>1,869,762</b>	<b>112,310</b>	<b>346,897</b>	<b>283,454</b>	<b>3,041,843</b>
Excess of Revenues Over (Under)						
Expenses Before Depreciation Expense	117,025	8,407	(90,860)	7,513	55,402	97,487
Less Depreciation Expense	(17,330)	(33,210)	(1,199)	(53)	(1,317)	(53,109)
<b>Excess of Revenues Over (Under) Expenses</b>	<b>\$ 99,695</b>	<b>\$ (24,803)</b>	<b>\$ (92,059)</b>	<b>\$ 7,460</b>	<b>\$ 54,085</b>	<b>\$ 44,378</b>

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Statement of Revenues and Expenses by Activity  
For the Year Ended December 31, 2021

	Association	Brand Inspection	Brand Recording	Environmental	Magazine	Total
<b>Revenues:</b>						
Membership Dues	\$ 149,375	\$ -	\$ -	\$ -	\$ 23,227	\$ 172,602
Environmental Services - Administration	-	-	-	19,459	-	19,459
Environmental Services - BMP	-	-	-	126,082	-	126,082
Inspection Fees	-	2,210,986	-	-	-	2,210,986
Registered Feed Lots	-	8,420	-	-	-	8,420
Permanent Horse Permits	-	10,650	-	-	-	10,650
Other Fee Income	-	1,480	-	-	-	1,480
Advertising Income	-	-	-	-	241,983	241,983
Calendar	-	-	-	-	9,950	9,950
Directory	-	-	-	-	5,950	5,950
Convention	86,829	-	-	-	-	86,829
Spring Roundups	37,775	-	-	-	-	37,775
Ring Service	9,750	-	-	-	-	9,750
Special Projects	36,701	-	-	-	-	36,701
All Breeds Tour	17,050	-	-	-	-	17,050
Junior Beef Expo	13,163	-	-	-	-	13,163
Brand Renewal	-	-	49,875	-	-	49,875
New Brands	-	-	10,375	-	-	10,375
Transferred Brands	-	-	3,025	-	-	3,025
Brand Books	-	-	5,352	-	-	5,352
Other Income	10,723	4,503	254	-	2,132	17,612
PPP Loan Funds	14,764	259,951	17,771	18,926	25,732	337,144
Investment Income	26,929	4,685	1,089	-	-	32,703
<b>Total Revenues</b>	<b>403,059</b>	<b>2,500,675</b>	<b>87,741</b>	<b>164,467</b>	<b>308,974</b>	<b>3,464,916</b>
<b>Expenses:</b>						
Wages	63,047	1,328,486	79,618	71,879	105,085	1,648,115
Benefits	14,440	295,093	14,301	19,551	28,479	371,864
<b>Total Wages &amp; Benefits</b>	<b>77,487</b>	<b>1,623,579</b>	<b>93,919</b>	<b>91,430</b>	<b>133,564</b>	<b>2,019,979</b>
Advertising & Promotion	13,126	4,805	573	4,366	-	22,870
All Breeds Tour	15,305	-	-	-	-	15,305
Audit	1,417	6,320	1,959	1,347	1,347	12,390
Awards	1,133	814	-	-	-	1,947
BMP & Engineering	-	-	-	25,324	-	25,324
Bank Fees	5,691	1,536	44	24	24	7,319
Board, Directors & Vice-President	2,428	1,127	260	260	260	4,335
Brand Board	-	1,236	137	-	-	1,373
Building	11,325	4,900	4,900	4,900	4,900	30,925
Calendar	-	-	-	-	3,981	3,981
Computers	1,861	3,501	2,531	483	1,568	9,944
Convention	75,257	-	16	533	530	76,336
Directory	-	-	-	-	1,775	1,775
Donations	10,000	-	-	-	-	10,000
Dues & Subscriptions	4,762	200	-	35	235	5,232
Environmental Stewardship	3,763	-	-	-	-	3,763
Feeder Council	1,743	-	-	-	-	1,743
Insurance	1,414	6,834	848	730	724	10,550
Junior Beef Expo	11,470	-	-	-	-	11,470
Legal	2,431	1,635	839	1,173	183	6,261
Legislative	690	-	-	-	-	690
Membership	13,333	-	-	-	-	13,333
Other	2,038	3,398	478	28	24,782	30,724
Postage	8,650	4,105	3,139	48	18,962	34,904
Printing	-	-	22,423	-	56,474	78,897
Retainers & Service Agreements	717	804	304	304	552	2,681
Special Projects	37,595	-	-	-	-	37,595
Spring Roundup	29,843	-	-	-	-	29,843
Sundry	169	225	11	-	-	405
Supplies	4,331	30,118	1,620	328	5,758	42,155
Telephone	1,353	12,215	1,105	2,351	533	17,557
Travel	8,894	153,877	3,953	6,786	4,386	177,896
<b>Total Expenses Before Depreciation</b>	<b>348,226</b>	<b>1,861,229</b>	<b>139,059</b>	<b>140,450</b>	<b>260,538</b>	<b>2,749,502</b>
<b>Excess of Revenues Over (Under)</b>						
Expenses Before Depreciation Expense	54,833	639,446	(51,318)	24,017	48,436	715,414
<b>Less Depreciation Expense</b>	<b>(8,921)</b>	<b>(42,313)</b>	<b>(1,687)</b>	<b>-</b>	<b>(1,106)</b>	<b>(54,027)</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>\$ 45,912</b>	<b>\$ 597,133</b>	<b>\$ (53,005)</b>	<b>\$ 24,017</b>	<b>\$ 47,330</b>	<b>\$ 661,387</b>





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*

Board of Directors  
North Dakota Stockmen's Association  
Bismarck, North Dakota

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 financial statements of the North Dakota Stockmen's Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Stockmen's Association 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 North Dakota Stockmen's Association internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Stockmen's Association'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 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 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as finding 2022-001 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the North Dakota Stockmen's Association's financial statements are 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 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*.

## **North Dakota Stockmen's Association's Response to Findings**

North Dakota Stockmen's Association's response to the finding identified in our audit is described in the accompanying schedule of findings. North Dakota Stockmen's Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 North Dakota Stockmen's Association'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.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
February 15, 2023

NORTH DAKOTA STOCKMEN'S ASSOCIATION  
Schedule of Findings  
For the Year Ended December 31, 2022

**Finding 2022-001: Segregation of Duties**

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has complete control of the accounting software.

Condition – The organization has lack of segregation of duties in certain areas due to limited staff.

Cause – There are limited individuals to perform tasks due to the small size of the entity.

Effect – Inadequate segregation of duties could adversely affect the organization's ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation – Unless it is feasible to add additional staff, the most effective controls lie in the board's knowledge of matters relating to the organization's operations. Board members should periodically review documentation supporting individual transactions.

Management Response – The Association is aware of the condition and will add controls where feasible.



North Dakota Stockmen's Association  
Auditor's Summary Requested by the  
North Dakota Legislative Audit and Fiscal Review Committee  
December 31, 2022

The Legislative Audit and Fiscal Review Committee requires that a summary of certain items be completed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

Purpose of the audit – To determine that the financial statements are free from material misstatement

Type of opinion – Unmodified

Summary of findings/ recommendations:

1. 2022-001 – Material weakness – Segregation of duties – See page 21 of the audit report

Status of prior audit recommendations:

1. 2021-001 – Material weakness – Segregation of duties – Repeated as finding 2022-001

Explanation of significant audit adjustments and corrected or uncorrected misstatements:

- Nothing significant to report

Disagreements with management or difficulties encountered in performing the audit:

- None

Other items to highlight in the report:

- None

Cost of the audit:

1. Current audit – \$15,000
2. Prior audit – \$11,900