

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

AUDIT REPORT

December 31, 2025, and 2024

NORTH DAKOTA STOCKMEN’S ASSOCIATION

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NORTH DAKOTA STOCKMEN'S ASSOCIATION
Executive Committee and Board of Directors
December 31, 2025

Executive Committee

Randy Schmitt, President Rugby	Jason Leiseth, Immediate Past President Arnegard
Tim Erbele, Vice President Streeter	Julie Ellingson, Executive Vice President St. Anthony

Living Past Presidents

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

Board of Directors

District 1	District 3	District 5
Lacey Wirth, Munich	Justin Deckert, Arena	Cody Reis, Fairfield
Ryan Ressler, Cooperstown	Brooks Zenker, Gackle	Carmen Rambousek, Dickinson
Bryan Ressler, Cooperstown	Randy Weigel, Kintyre	Max Robison, Amidon
Cliff Sanders, Jr., Clifford	Carter Vander Wal, Pollock, SD	Calli Thorne, Watford City
District 2	District 4	District 6
Jeff Breker, Havana	Wayne Hepper, Fort Yates	Ian Hall, Minot
Wade Dally, Montpelier	Scott Katus, Watauga, SD	Joe Matehs, Upham
Jared Higgins, Woodworth	Riley Schriefer, Golden Valley	Chase Jacobson, Columbus
Brian McDonald, Leonard	Casey Voigt, Beulah	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, 2025, and 2024, 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, 2025, and 2024, 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.

Emphasis-of-Matter – Correction of An Error

As described in Note 19 to the financial statements, the Association had a correction of an error in its method of accounting for revenue recognition in 2025 to conform with the requirements of ASC 606, Revenue from Contracts with Customers. The Association corrected the error using the full retrospective method, which resulted in the restatement of previously issued financial statements and a corresponding adjustment to the beginning net assets. Our opinion is not modified with respect to this matter.

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 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, 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 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 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.

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 18 and 19, and the statements of functional expenses on pages 20 and 21 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 23, 2026, 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 solely 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 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 23, 2026

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 2,533,617	\$ 1,968,839
Short-term Investments	1,132,287	1,047,273
Accounts Receivable, Net	68,622	102,230
Pledges Receivable, Building	51,992	-
Prepaid Expenses	21,685	17,905
Advanced on Building Purchase	1,482,890	1,370,096
Total Current Assets	5,291,093	4,506,343
Long-Term Investments	18,741	16,785
Fixed Assets	1,967,548	1,866,303
Less Accumulated Depreciation	(410,368)	(306,108)
Net Fixed Assets	1,557,180	1,560,195
Total Assets	\$ 6,867,014	\$ 6,083,323
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 3,444	\$ 24,658
Payroll Taxes Payable	30,794	946
Deferred Revenue - Brand Renewal	722,293	103,645
Unearned Income	23,864	2,685
Total Current Liabilities	780,395	131,934
Net Assets:		
Without Donor Restrictions:		
Designated - Estray	754,147	693,123
Undesignated	5,027,922	5,005,708
Total Without Donor Restrictions	5,782,069	5,698,831
With Donor Restrictions:		
Rewards	2,050	2,050
Animal Stewards	508	508
Building Contributions	301,992	250,000
Total With Donor Restrictions	304,550	252,558
Total Net Assets	6,086,619	5,951,389
Total Liabilities and Net Assets	\$ 6,867,014	\$ 6,083,323

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statements of Activities
For the Years Ended December 31, 2025 and 2024

	2025	2024
Changes in net assets without donor restrictions:		
Revenues:		
Association	\$ 488,550	\$ 566,595
Brand Inspection	1,965,750	2,125,612
Brand Recording	125,738	119,882
Environmental	197,371	795,316
Magazine	358,050	374,884
Total Revenues	3,135,459	3,982,289
Net Assets Released from Restrictions	87,794	111,941
Total Unrestricted Revenues and Other Support	3,223,253	4,094,230
Expenses:		
Association	518,896	591,161
Brand Inspection	1,945,749	2,089,472
Brand Recording	198,315	138,319
Environmental	200,299	795,350
Magazine	318,370	378,130
Total Expenses	3,181,629	3,992,432
Excess of Revenues Over (Under) Expenses		
Before Depreciation Expense and Gain (Loss)	41,624	101,798
Less Depreciation Expense	(123,151)	(110,510)
Gain (Loss) on Disposal of Assets	3,131	6,000
Excess of Revenues Over (Under) Expenses	(78,396)	(2,712)
Other Sources/(Uses):		
Estray:		
Estray Income	313,278	241,482
Estray Interest Income	27,569	16,447
Estray Expenses	(181,645)	(123,329)
Total Other Sources/(Uses)	159,202	134,600
Unrealized Gain/(Loss) on Investments	2,023	1,349
Increase (decrease) in net assets without donor restrictions	82,829	133,237
Changes in net assets with donor restrictions:		
Contributions	140,195	361,941
Net Assets Released from Restrictions	(87,794)	(111,941)
Increase (decrease) in net assets with donor restrictions	52,401	250,000
Total Change in Net Assets	135,230	383,237
Net Assets, Beginning of Year	5,951,389	5,775,442
Prior Period Adjustment (See Note 19)	-	(207,290)
Net Assets, Beginning of Year as Restated	5,951,389	5,568,152
Net Assets, End of Year	\$ 6,086,619	\$ 5,951,389

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in Net Assets	\$ 135,230	\$ 383,237
Adjustments to reconcile net change to net cash provided by operating activities:		
Depreciation	123,151	110,510
Prior period adjustment	-	(103,645)
Unrealized (gain) loss on mutual funds	(2,023)	(1,349)
(Gain) loss on disposal of assets	(3,131)	(6,000)
(Increase) decrease in net accounts receivable	33,608	(39,253)
(Increase) decrease in pledges receivable	(51,992)	-
(Increase) decrease in prepaid expenses	(3,780)	2,551
(Increase) decrease in advanced on building purchase	(112,794)	(512,032)
Increase (decrease) in payables	8,634	10,529
Increase (decrease) in deferred revenue - brand renewal	618,648	-
Increase (decrease) in unearned income	21,179	(9,979)
Net cash provided (used) by operating activities	766,730	(165,431)
Cash flows from investing activities:		
Cash paid for the purchase of fixed assets	(117,005)	(286,506)
Net amount withdrawn (invested) in CDs	(84,947)	(241,815)
Net cash provided (used) by investing activities	(201,952)	(528,321)
Net increase (decrease) in cash and equivalents	564,778	(693,752)
Cash and equivalents, beginning of year	1,968,839	2,662,591
Cash and equivalents, end of year	\$ 2,533,617	\$ 1,968,839
Interest Expense	\$ -	\$ -
Unrelated Business Income Tax	\$ -	\$ -

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2025 and 2024

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 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. Brand renewal fees will be deferred and recognized over the five-year period of the brand. 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.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2025 and 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash Equivalents

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

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 follows the guidance in ASC 740, Income Taxes, related to accounting for uncertainty in income taxes. Management has evaluated all tax positions taken by the Association and has determined that there are no uncertain tax positions that require recognition or disclosure in the financial statements for the year ended December 31, 2025.

The Association's federal information returns (Form 990) are subject to examination by the Internal Revenue Service for a period of three years from the date they are filed. No examinations are currently in process.

The Association's policy is to recognize interest and penalties related to uncertain tax positions (if any) in income tax expense. No interest or penalties were incurred or recognized in the accompanying financial statements for the year ended December 31, 2025.

Concentration of Credit Risk

The Association maintains cash balances at several banks. Bank accounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2025, the Association's carrying balances totaled \$3,665,904, and the bank balances totaled \$3,832,788. The carrying balances contained short term investments in CD's of \$1,132,287. All bank balances were adequately covered by FDIC and the repurchase agreement with Dakota Community Bank. Although the Dakota Community bank account was not insured by FDIC, the account consists of low-risk US Treasuries that the Association is entitled to receive possession of in the event the bank fails to repurchase them. The Association was also entitled to receive interest on the outstanding purchase price each day the bank was in default, at the repurchase interest rate.

The Association maintains an account including mutual funds and certificates of deposits with Edward Jones. 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.

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Notes to Financial Statements

December 31, 2025 and 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Revenue

Deferred revenue includes amounts collected in advance for sponsorships and brand renewals. Sponsorships and renewal revenue collected prior to the applicable service period are recorded as deferred revenue on the Statement of Financial Position.

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.

Pledges Receivable

The Association has received unconditional promises to give from individuals in support of the building purchase. Unconditional promises to give are recorded as pledges receivable and recognized as revenue in the period the promise is made.

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, 2025, and 2024, were \$30,268 and \$36,644, respectively.

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 23, 2026, the date which the financial statements were available to be issued.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2025 and 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent activity at the federal level has generated concerns related to the continued availability of federal funding. The Association has verified that its federal program with the ND Department of Environmental Quality is funded through fiscal year ended December 31, 2027. To date the Association has not experienced any delays in receiving reimbursements for the expensed federal funds.

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.

NOTE 2 DEPOSITS

Deposits are maintained with financial institutions as authorized by the board of directors. Receipts for brand inspection fees, recording fees, and estray receipts 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.

NOTE 3 REVENUE AND REVENUE RECOGNITION

Advertising income, directory and calendar income are recognized ratably over the term that benefits are provided. Inspection fees and the direct-benefit portion of special events are recognized at a point in time when control of the goods or benefits transfers to the customer (e.g. at inspection or when the event occurs). For over-time services (brand recording), the Association uses a time-based measure that best depicts transfer of services. The Association applies the ASC 606 practical expedient and does not disclose information about remaining performance obligations for contracts with an original expected duration of one year or less. The Association recognizes donor contributions when cash or other assets; pledges receivable; or a notification of beneficial interest is received.

In the following table, revenues are disaggregated by timing of satisfaction of performance obligations. The Association has determined that these categories depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Timing of revenue recognition:		
Performance obligations satisfied at a point in time	\$ 2,629,185	\$ 3,630,872
Performance obligations satisfied over time	521,162	531,320
Non-exchange transactions	125,307	182,038
	<u>\$ 3,275,654</u>	<u>\$ 4,344,230</u>

Contract assets include accounts receivable, outstanding invoices for goods or services provided by not yet paid for. Contract assets also include pledges receivable, outstanding pledged contributions by not yet paid. Contract liabilities include deferred revenue; revenue received in advance for goods or services to be provided in the future. Contract assets and contract liabilities were as follows:

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2025 and 2024

NOTE 3 REVENUE AND REVENUE RECOGNITION – CONTINUED

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Contract asset and contract liabilities:			
Accounts Receivable	\$ 68,622	\$ 102,230	\$ 62,977
Deferred Revenue - Brand Renewal	722,293	103,645	207,290
Unearned Income	23,864	2,685	12,664
	<u>\$ 814,779</u>	<u>\$ 208,560</u>	<u>\$ 282,931</u>

NOTE 4 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:

	<u>2025</u>	<u>2024</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,533,617	\$ 1,968,839
Short term investments	1,132,287	1,047,273
Accounts receivable, net	68,622	102,230
Pledges receivable	51,992	-
Long term investments	18,741	16,785
Total financial assets	<u>3,805,259</u>	<u>3,135,127</u>
Less amounts not available to be used within one year:		
Designated - Estray	754,147	693,123
Net assets with donor restrictions	304,550	252,558
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,746,562</u>	<u>\$ 2,189,446</u>

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2025, includes \$12,765 due from the ND Department of Environmental Quality. At December 31, 2024, accounts receivable includes \$11,506 due from the ND Department of Environmental Quality and \$29,287 from the ND Information Technology Department. 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, 2025, and \$149 as of December 31, 2024.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2025 and 2024

NOTE 6 PLEDGES RECEIVABLE

Pledges receivable include individual contributions for the building purchase to be received between 2026 and 2032. All funds are expected to be collected and thus no allowance is recorded. Future payments to be received from these pledges are as follows:

As of year ended:		
2026	\$	11,992
2027		7,500
2028		7,500
2029		5,000
2030		5,000
2031-2032		15,000
	\$	<u>51,992</u>

NOTE 7 PREPAID EXPENSES

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

NOTE 8 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, 2025 and 2024

NOTE 9 FAIR VALUE MEASUREMENT – CONTINUED

Certificates of Deposit are not measured at fair value. Investments measured at fair value at December 31, 2025, and 2024, are summarized as follows:

	2025		2024	
	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:				
Edward Jones Mutual Funds	\$ 18,741	\$ 18,741	\$ 16,785	\$ 16,785
Total	\$ 18,741	\$ 18,741	\$ 16,785	\$ 16,785

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2025, and 2024:

	2025	2024
Interest and dividends	\$ 80,974	\$ 110,810
Estray interest	27,569	16,447
Unrealized gain (loss)	2,023	1,349
Total investment return	\$ 110,566	\$ 128,606

NOTE 10 FIXED ASSETS

All property is carried at cost and consists of the following at December 31, 2025:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 885,216	\$ -	\$ 885,216
Furniture & Equipment	820,353	277,911	542,442
Vehicles	261,979	132,457	129,522
Total	\$ 1,967,548	\$ 410,368	\$ 1,557,180

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.

Depreciation expense for the years ended December 31, 2025, and 2024, was \$123,151 and \$110,510, respectively.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2025 and 2024

NOTE 10 FIXED ASSETS – CONTINUED

Changes in the fixed asset accounts are summarized as follows:

Fixed Assets, December 31, 2023	\$ 1,610,783
Purchases	292,538
Dispositions	<u>(37,018)</u>
Fixed Assets, December 31, 2024	1,866,303
Purchases	137,004
Dispositions	<u>(35,759)</u>
Fixed Assets, December 31, 2025	1,967,548
Less Accumulated Depreciation	<u>(410,368)</u>
Net Fixed Assets, December 31, 2025	<u><u>\$ 1,557,180</u></u>

NOTE 11 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-estrays: 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-estrays" 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 12 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, 2025, and 2024, the line of credit balance was \$0 and \$0, respectively. There was \$0 of interest paid on the line of credit in 2025 and 2024.

NOTE 13 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, 2025, and 2024, was \$36,254 and \$36,189 respectively.

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Notes to Financial Statements

December 31, 2025 and 2024

NOTE 14 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 2025 bringing in revenue of \$722,295. These funds were deferred in 2025 and will be recognized over the five-year period of 2026-2030. Late brand renewals may be collected during the year 2026. Brand renewal income of \$103,645 is recognized in the year ended December 31, 2025 and 2024 as that is a one-fifth allocation of funds received for the brand renewal period 2020. Brand renewals will again take place during 2030.

NOTE 15 ANNUAL LEAVE

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

NOTE 16 INCOME TAXES

The Association pays unrelated business income tax on the net income generated by the magazine it publishes and distributes. For 2025 and 2024, no estimates were paid during the year. At December 31, 2025, the Association had no unrelated business income tax payable due to the state and IRS. At December 31, 2024, 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, 2025, and 2024, was \$0 and \$0, respectively.

NOTE 17 RELATED PARTY TRANSACTIONS

The following is a summary of related party relationships in the Association at December 31, 2025. Joe Roshau is an inspector-in-charge at the Dickinson market, and his son Allen Roshau is also an inspector there. Stan and Angie Misek are married, and they are local inspectors in Bismarck. Shawn and Lindy Harpole are married, and they are local inspectors in Driscoll. Mark and Hal Kramer are brothers, and they are inspectors-in-charge at Lake Region and Rugby markets, respectively. Todd and Troy Peterson are brothers, and they are part-time local inspectors in Sargent and Dickey counties, respectively. Kenton Pulkrabek is a full-time inspector, and his daughter Terra Pulkrabek is an inspector-in-charge at the Mandan market.

Members of the Board of Directors are also members of the Association. Board members receive no compensation for their service. In addition, board members pay the same membership dues and fees and receive services on the same terms and conditions as all other members. Transactions with board members consisted solely of membership-related activity conducted in the ordinary course of business. No board member received preferential pricing, concessions, or other benefits.

Management has determined that these transactions were not significant to the financial statements, and no additional disclosures are considered necessary.

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Notes to Financial Statements
December 31, 2025 and 2024

NOTE 18 BUILDING PROJECT

The North Dakota Stockmen's Association purchased a lot at 4520 Ottawa Street, Bismarck, in September 2021. During the year ended December 31, 2023, the North Dakota Stockmen's Foundation constructed a building on the aforementioned lot. The Association moved into the new building in January 2024.

During 2023, the Association paid \$858,064 to the Foundation Building Fund as a prepaid advance on the future purchase of the building from the Foundation. During 2024, the Association paid \$512,032 and in 2025 it paid \$112,794 to the Foundation Building Fund as a prepaid advance on the future purchase of the building from the Foundation. The Association updated a memorandum of understanding regarding the timing of the future building purchase in early December 2024.

NOTE 19 CORRECTION OF AN ERROR AND PRIOR PERIOD ADJUSTMENT

Effective January 1, 2025, the Association reported a correction of an error for its method of accounting for revenue recognition related to brand renewal fees to conform with ASC 606, *Revenue from Contracts with Customers*. Prior to 2025, the Association recognized renewal fee revenue associated with multi-year brand renewals at the time the revenue was received. The new standard requires renewal fee revenue associated with the Association's five-year arrangements be recognized over the related service period, rather than at the time of billing or the receipt of revenue. The Association corrected for the error related to ASC 606 using the full retrospective method, which requires restatement of previously issued financial statements for all periods presented.

The Association determined that the restatement required by ASC 606 represents a correction of an error that is required by authoritative guidance. The restatement is necessary to enhance the comparability and consistency of financial information across periods. The Company believes the correction provides more meaningful information regarding the nature, timing and uncertainty of revenue and related cash flows.

The effect of the restatement on the previously issued financial statements for 2024 is as follows:

	As Previously Stated	Adjustments	As Restated
Unearned Revenue	\$ -	\$ 103,645	\$ 103,645
Brand Renewal Revenue	-	103,645	103,645
Net Assets	5,775,442	(207,290)	5,568,152
Total	<u>\$ 5,775,442</u>	<u>\$ -</u>	<u>\$ 5,775,442</u>

***SUPPLEMENTARY
INFORMATION***

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statement of Revenues and Expenses by Activity
For the Year Ended December 31, 2025

	Association	Brand Inspection	Brand Recording	Environmental	Magazine	Total
Revenues:						
Membership Dues	\$ 132,397	\$ -	\$ -	\$ -	\$ 19,791	\$ 152,188
Environmental Services - Administration	-	-	-	34,064	-	34,064
Environmental Services - BMP	-	-	-	105,269	-	105,269
NRCS	-	-	-	58,038	-	58,038
Inspection Fees	-	1,888,209	-	-	-	1,888,209
Registered Feed Lots	-	10,778	-	-	-	10,778
Permanent Horse Permits	-	14,551	-	-	-	14,551
Advertising Income	-	-	-	-	317,973	317,973
Calendar	-	-	-	-	12,920	12,920
Directory	-	-	-	-	5,875	5,875
Convention	89,740	-	-	-	-	89,740
Spring Roundups	30,600	-	-	-	-	30,600
Ring Service	20,000	-	-	-	-	20,000
Special Projects	40,563	-	-	-	-	40,563
All Breeds Tour	14,750	-	-	-	-	14,750
Junior Beef Expo	15,360	-	-	-	-	15,360
Brand Renewal	-	-	103,745	-	-	103,745
New Brands	-	-	9,275	-	-	9,275
Transferred Brands	-	-	5,325	-	-	5,325
Brand Books	-	-	280	-	-	280
Donations	140,195	-	-	-	-	140,195
Merchant Account Income	756	-	-	-	23	779
Rent Income	80,649	-	-	-	-	80,649
Other Income	32,009	2,964	7,113	-	1,468	43,554
Investment Income	31,726	49,248	-	-	-	80,974
Total Revenues	628,745	1,965,750	125,738	197,371	358,050	3,275,654
Expenses:						
Wages	98,764	1,326,341	104,820	80,319	70,598	1,680,842
Benefits	29,643	349,790	30,854	25,376	17,515	453,178
Total Wages & Benefits	128,407	1,676,131	135,674	105,695	88,113	2,134,020
Advertising & Promotion	13,078	7,609	2,747	6,834	-	30,268
All Breeds Tour	15,586	-	-	-	-	15,586
Audit	3,745	17,371	5,450	7,997	3,747	38,310
Awards	1,252	414	40	40	40	1,786
BMP & Engineering	-	-	-	58,038	-	58,038
Bad Debts	257	-	-	-	-	257
Bank Fees	286	855	118	68	68	1,395
Board, Directors & Vice-President	4,157	1,949	449	448	448	7,451
Brand Board	-	1,315	87	-	-	1,402
Building	89,549	8,899	8,900	8,899	8,900	125,147
Calendar	-	-	-	-	5,325	5,325
Computers	1,081	4,907	946	387	881	8,202
Convention	91,642	-	-	218	22	91,882
Directory	-	-	-	-	2,000	2,000
Donations	25,200	-	-	-	-	25,200
Dues & Subscriptions	5,422	866	210	210	723	7,431
Feeder Council	1,954	-	-	-	-	1,954
Insurance	1,409	7,653	687	687	687	11,123
Junior Beef Expo	11,020	-	-	-	-	11,020
Legal	6,970	1,812	4,282	138	196	13,398
Legislative	5,425	-	-	-	-	5,425
Membership	11,290	-	-	-	-	11,290
Other	1,689	328	30	-	40,883	42,930
Postage	6,932	2,869	24,421	72	26,563	60,857
President	5,161	2,550	553	553	553	9,370
Printing	-	-	872	-	132,799	133,671
Retainers & Service Agreements	1,015	1,455	467	467	653	4,057
Seedstock Council	21	-	-	-	-	21
Special Projects	45,853	-	-	-	-	45,853
Spring Roundup	18,690	-	-	-	-	18,690
Sundry	184	321	44	44	44	637
Supplies	6,291	21,942	9,493	450	3,754	41,930
Telephone	1,068	12,480	1,092	2,343	965	17,948
Travel	14,262	174,023	1,753	6,711	1,006	197,755
Total Expenses Before Depreciation	518,896	1,945,749	198,315	200,299	318,370	3,181,629
Excess of Revenues Over (Under)						
Expenses Before Depreciation Expense	109,849	20,001	(72,577)	(2,928)	39,680	94,025
Gain on Disposal of Asset	-	3,131	-	-	-	3,131
Less Depreciation Expense	(67,779)	(52,985)	(1,974)	(314)	(99)	(123,151)
Excess of Revenues Over (Under) Expenses	\$ 42,070	\$ (29,853)	\$ (74,551)	\$ (3,242)	\$ 39,581	\$ (25,995)

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statement of Revenues and Expenses by Activity
For the Year Ended December 31, 2024

	Association	Brand Inspection	Brand Recording	Environmental	Magazine	Total
Revenues:						
Membership Dues	\$ 148,419	\$ -	\$ -	\$ -	\$ 22,718	\$ 171,137
Environmental Services - Administration	-	-	-	19,105	-	19,105
Environmental Services - BMP	-	-	-	574,295	-	574,295
NRCS	-	-	-	184,563	-	184,563
NRCS - Admin	-	-	-	16,553	-	16,553
Inspection Fees	-	1,846,123	-	-	-	1,846,123
Registered Feed Lots	-	12,607	-	-	-	12,607
Permanent Horse Permits	-	12,850	-	-	-	12,850
Other Fee Income	-	172,160	-	-	-	172,160
Advertising Income	-	-	-	-	306,471	306,471
Calendar	-	-	-	-	11,960	11,960
Directory	-	-	-	-	28,595	28,595
Convention	93,361	-	-	-	-	93,361
Spring Roundups	43,008	-	-	-	-	43,008
Ring Service	21,000	-	-	-	-	21,000
Special Projects	60,323	-	-	-	-	60,323
Environmental Stewardship	3,255	-	-	-	-	3,255
All Breeds Tour	12,800	-	-	-	-	12,800
Junior Beef Expo	12,896	-	-	-	-	12,896
Brand Renewal	-	-	103,645	-	-	103,645
New Brands	-	-	6,750	-	-	6,750
Transferred Brands	-	-	5,725	-	-	5,725
Brand Books	-	-	420	-	-	420
Donations	361,941	-	-	-	-	361,941
Rent Income	80,649	-	-	-	-	80,649
Other Income	56,484	7,185	1,619	800	5,140	71,228
Investment Income	34,400	74,687	1,723	-	-	110,810
Total Revenues	928,536	2,125,612	119,882	795,316	374,884	4,344,230
Expenses:						
Wages	98,557	1,343,993	75,631	78,837	107,692	1,704,710
Benefits	29,074	345,492	24,099	23,638	33,739	456,042
Total Wages & Benefits	127,631	1,689,485	99,730	102,475	141,431	2,160,752
Advertising & Promotion	23,131	7,560	379	5,574	-	36,644
All Breeds Tour	10,870	-	-	-	-	10,870
Audit	2,070	10,032	3,147	2,163	2,164	19,576
Awards	2,216	1,139	-	-	-	3,355
BMP & Engineering	-	-	-	649,587	-	649,587
Bank Fees	399	274	48	48	48	817
Board, Directors & Vice-President	6,682	1,857	451	451	451	9,892
Brand Board	-	2,261	123	-	-	2,384
Building	97,515	21,037	20,105	20,030	20,049	178,736
Calendar	-	-	-	-	5,241	5,241
Computers	1,356	118,893	1,759	406	4,788	127,202
Convention	87,616	131	-	131	131	88,009
Directory	-	-	-	-	11,940	11,940
Donations	36,000	-	-	-	-	36,000
Dues & Subscriptions	5,139	200	-	-	390	5,729
Feeder Council	4,905	-	-	-	-	4,905
Insurance	1,487	7,864	769	730	729	11,579
Junior Beef Expo	12,513	-	-	-	-	12,513
Legal	1,299	4,691	114	82	104	6,290
Legislative	10,473	-	-	-	-	10,473
Membership	13,057	-	-	-	-	13,057
Other	13,008	6,152	2,378	2,312	29,576	53,426
Postage	8,188	4,436	1,482	75	23,948	38,129
President	6,169	2,183	551	551	551	10,005
Printing	81	81	604	81	127,010	127,857
Retainers & Service Agreements	1,129	2,055	462	462	492	4,600
Seedstock Council	9	-	-	-	-	9
Special Projects	64,755	-	-	-	-	64,755
Spring Roundup	31,671	-	-	-	-	31,671
Sundry	396	225	69	69	69	828
Supplies	7,907	30,931	2,374	1,783	5,143	48,138
Telephone	1,002	14,738	1,213	2,452	1,761	21,166
Travel	12,487	163,247	2,561	5,888	2,114	186,297
Total Expenses Before Depreciation	591,161	2,089,472	138,319	795,350	378,130	3,992,432
Excess of Revenues Over (Under)						
Expenses Before Depreciation Expense	337,375	36,140	(18,437)	(34)	(3,246)	351,798
Gain on Disposal of Asset	-	6,000	-	-	-	6,000
Less Depreciation Expense	(62,416)	(45,994)	(1,494)	(296)	(310)	(110,510)
Excess of Revenues Over (Under) Expenses	\$ 274,959	\$ (3,854)	\$ (19,931)	\$ (330)	\$ (3,556)	\$ 247,288

NORTH DAKOTA STOCKMEN'S ASSOCIATION

Statement of Functional Expenses

For the Year Ended December 31, 2025

Expenses:	Programs							Total Programs	General & Administrative	Total
	Association	Association	Brand Inspection	Brand Recording	Environmental	Estray	Magazine			
Wages & Benefits	\$ 128,407	\$ 96,306	\$ 1,676,131	\$ 135,674	\$ 105,695	\$ -	\$ 88,113	\$ 2,101,919	\$ 32,101	\$ 2,134,020
Advertising & Promotion	13,078	13,078	7,609	2,747	6,834	-	-	30,268	-	30,268
All Breeds Tour	15,586	15,586	-	-	-	-	-	15,586	-	15,586
Audit	3,745	-	17,371	5,450	7,997	-	3,747	34,565	3,745	38,310
Awards	1,252	1,252	414	40	40	-	40	1,786	-	1,786
BMP & Engineering	-	-	-	-	58,038	-	-	58,038	-	58,038
Bad Debts	257	-	-	-	-	-	-	-	257	257
Bank Fees	286	-	855	118	68	-	68	1,109	286	1,395
Board, Directors & Vice-President	4,157	3,118	1,949	449	448	-	448	6,412	1,039	7,451
Brand Board	-	-	1,315	87	-	-	-	1,402	-	1,402
Building	89,549	-	8,899	8,900	8,899	-	8,900	35,598	89,549	125,147
Calendar	-	-	-	-	-	-	5,325	5,325	-	5,325
Computers	1,081	-	4,907	946	387	-	881	7,121	1,081	8,202
Convention	91,642	91,642	-	-	218	-	22	91,882	-	91,882
Depreciation	67,779	-	52,985	1,974	314	-	99	55,372	67,779	123,151
Directory	-	-	-	-	-	-	2,000	2,000	-	2,000
Donations	25,200	25,200	-	-	-	-	-	25,200	-	25,200
Dues & Subscriptions	5,422	5,422	866	210	210	-	723	7,431	-	7,431
Estray	-	-	-	-	-	181,645	-	181,645	-	181,645
Feeder Council	1,954	1,954	-	-	-	-	-	1,954	-	1,954
Insurance	1,409	-	7,653	687	687	-	687	9,714	1,409	11,123
Junior Beef Expo	11,020	11,020	-	-	-	-	-	11,020	-	11,020
Legal	6,970	-	1,812	4,282	138	-	196	6,428	6,970	13,398
Legislative	5,425	5,425	-	-	-	-	-	5,425	-	5,425
Membership	11,290	11,290	-	-	-	-	-	11,290	-	11,290
Other	1,689	844	328	30	-	-	40,883	42,085	845	42,930
Postage	6,932	4,505	2,869	24,421	72	-	26,563	58,430	2,427	60,857
President	5,161	3,870	2,550	553	553	-	553	8,079	1,291	9,370
Printing	-	-	-	872	-	-	132,799	133,671	-	133,671
Retainers & Service Agreements	1,015	-	1,455	467	467	-	653	3,042	1,015	4,057
Seedstock Council	21	21	-	-	-	-	-	21	-	21
Special Projects	45,853	45,853	-	-	-	-	-	45,853	-	45,853
Spring Roundup	18,690	18,690	-	-	-	-	-	18,690	-	18,690
Sundry	184	-	321	44	44	-	44	453	184	637
Supplies	6,291	944	21,942	9,493	450	-	3,754	36,583	5,347	41,930
Telephone	1,068	160	12,480	1,092	2,343	-	965	17,040	908	17,948
Travel	14,262	12,123	174,023	1,753	6,711	-	1,006	195,616	2,139	197,755
Total Expenses	\$ 586,675	\$ 368,303	\$ 1,998,734	\$ 200,039	\$ 200,613	\$ 181,645	\$ 318,469	\$ 3,268,053	\$ 218,372	\$ 3,486,425
							Less Estray			(181,645)
							Less Depreciation			(123,151)
							Equals Total Expenses page 6			<u>\$ 3,181,629</u>

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Programs						Total Programs	General & Administrative	Total
	Association	Brand Inspection	Brand Recording	Environmental	Estray	Magazine			
Expenses:									
Wages & Benefits	\$ 95,724	\$ 1,689,485	\$ 99,730	\$ 102,475	\$ -	\$ 141,431	\$ 2,128,845	\$ 31,907	\$ 2,160,752
Advertising & Promotion	23,131	7,560	379	5,574	-	-	36,644	-	36,644
All Breeds Tour	10,870	-	-	-	-	-	10,870	-	10,870
Audit	-	10,032	3,147	2,163	-	2,164	17,506	2,070	19,576
Awards	2,216	1,139	-	-	-	-	3,355	-	3,355
BMP & Engineering	-	-	-	649,587	-	-	649,587	-	649,587
Bank Fees	-	274	48	48	-	48	418	399	817
Board, Directors & Vice-President	5,012	1,857	451	451	-	451	8,222	1,670	9,892
Brand Board	-	2,261	123	-	-	-	2,384	-	2,384
Building	-	21,037	20,105	20,030	-	20,049	81,221	97,515	178,736
Calendar	-	-	-	-	-	5,241	5,241	-	5,241
Computers	-	118,893	1,759	406	-	4,788	125,846	1,356	127,202
Convention	87,616	131	-	131	-	131	88,009	-	88,009
Depreciation	-	45,994	1,494	296	-	310	48,094	62,416	110,510
Directory	-	-	-	-	-	11,940	11,940	-	11,940
Donations	36,000	-	-	-	-	-	36,000	-	36,000
Dues & Subscriptions	5,139	200	-	-	-	390	5,729	-	5,729
Estray	-	-	-	-	123,329	-	123,329	-	123,329
Feeder Council	4,905	-	-	-	-	-	4,905	-	4,905
Insurance	-	7,864	769	730	-	729	10,092	1,487	11,579
Junior Beef Expo	12,513	-	-	-	-	-	12,513	-	12,513
Legal	-	4,691	114	82	-	104	4,991	1,299	6,290
Legislative	10,473	-	-	-	-	-	10,473	-	10,473
Membership	13,057	-	-	-	-	-	13,057	-	13,057
Other	6,504	6,152	2,378	2,312	-	29,576	46,922	6,504	53,426
Postage	5,322	4,436	1,482	75	-	23,948	35,263	2,866	38,129
President	4,626	2,183	551	551	-	551	8,462	1,543	10,005
Printing	81	81	604	81	-	127,010	127,857	-	127,857
Retainers & Service Agreements	-	2,055	462	462	-	492	3,471	1,129	4,600
Seedstock Council	9	-	-	-	-	-	9	-	9
Special Projects	64,755	-	-	-	-	-	64,755	-	64,755
Spring Roundup	31,671	-	-	-	-	-	31,671	-	31,671
Sundry	-	225	69	69	-	69	432	396	828
Supplies	1,186	30,931	2,374	1,783	-	5,143	41,417	6,721	48,138
Telephone	151	14,738	1,213	2,452	-	1,761	20,315	851	21,166
Travel	10,614	163,247	2,561	5,888	-	2,114	184,424	1,873	186,297
Total Expenses	\$ 431,575	\$ 2,135,466	\$ 139,813	\$ 795,646	\$ 123,329	\$ 378,440	\$ 4,004,269	\$ 222,002	\$ 4,226,271
						Less Estray			(123,329)
						Less Depreciation			(110,510)
						Equals Total Expenses page 6			<u>\$ 3,992,432</u>

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, 2025, and 2024, 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 23, 2026.

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 2025-001 and 2025-002 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 responses to the findings 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 23, 2026

NORTH DAKOTA STOCKMEN'S ASSOCIATION
Schedule of Findings
For the Year Ended December 31, 2025

2025-001: Segregation of Duties

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

Criteria – A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles or has access to a transaction from its inception to its completion.

Cause – There are limited individuals to perform tasks due to the small size of the entity and it is not economically feasible to further segregate duties.

Effect – Inadequate segregation of duties could adversely affect the entity's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

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.

2025-002: Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the entity's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the Association to prepare the financial statements in the format required by generally accepted accounting principles.

Effect – An increased risk of material misstatement in the Association's financial statements.

Recommendation – The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditors assisted in drafting the financial statements and notes.

Management Response – The Association is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the Association.

North Dakota Stockmen's Association
Auditor's Summary Requested by the
North Dakota Legislative Audit and Fiscal Review Committee
December 31, 2025

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. 2025-001 – Significant deficiency – Segregation of duties – See page 24 of the audit report
2. 2025-002 – Significant deficiency – Preparation of financial statements – See page 24 of the audit report

Status of prior audit recommendations:

1. 2024-001 – Significant deficiency – Segregation of duties – Repeated as finding 2025-001
2. 2024-002 – Significant deficiency – Preparation of financial statements – Repeated as finding 2025-002
3. 2024-003 – Significant deficiency – Schedule of Expenditures of Federal Awards Preparation – Resolved

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 – \$24,500
2. Prior audit – \$34,400 including single audit and additional time due to change in Association staff