



3 0307 00012 3904

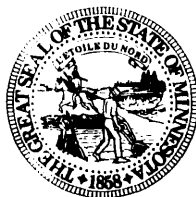
2 copies

860249

**AUDIT REPORT
AND
FINANCIAL STATEMENTS
MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
ROSEVILLE, MINNESOTA
DECEMBER 31, 1984 AND 1983**

**MINNESOTA DEPARTMENT OF AGRICULTURE
Accounting Division
Saint Paul, Minnesota**

HD
9275
.U5
M55
1983/84



MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
ROSEVILLE, MINNESOTA
TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT.....	1
COMPARATIVE STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS.....	2
COMPARATIVE STATEMENTS OF OPERATIONS AND FUND BALANCE - MODIFIED CASH BASIS.....	3
COMPARATIVE STATEMENTS OF CHANGES IN FINANCIAL POSITION - MODIFIED CASH BASIS.....	4
NOTES TO THE FINANCIAL STATEMENTS.....	5
 SUPPLEMENTAL INFORMATION	
COUNCIL MEMBERS.....	9
SUMMARY OF INTEREST EARNED.....	10
COUNCIL MEMBERS EXPENSES.....	11
ADMINISTRATIVE EXPENSES.....	11
AMERICAN DAIRY ASSOCIATION OF MINNESOTA.....	12
SCHEDULE OF INVESTMENTS.....	13



LAND OF QUALITY FOODS

STATE OF MINNESOTA
DEPARTMENT OF AGRICULTURE

90 W. PLATO BOULEVARD
SAINT PAUL, MN 55107
Telephone: 612-296-6187

January 25, 1985

Minnesota Dairy Research and
Promotion Council
2015 Rice Street
Roseville, Minnesota 55113

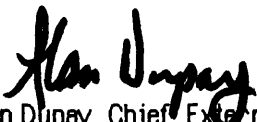
Council members:

We have examined the modified cash basis statements of financial position of the Minnesota Dairy Research and Promotion Council as of December 31, 1984 and 1983, and the related modified cash basis statements of operations, fund balance, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records, and other such tests as we considered necessary in the circumstances.

As described in Note 1, the Council's policy is to prepare its financial statements on the modified basis of cash receipts and disbursements; consequently, certain revenues and the related disbursements are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the modified cash basis financial position of the Minnesota Dairy Research and Promotion Council as of December 31, 1984 and 1983, and the modified cash basis results of operations, changes in fund balance and financial position for the years then ended on the basis of accounting as described in Note 1, which basis has been applied in a manner consistent with that of preceding years.

MINNESOTA DEPARTMENT OF AGRICULTURE


Alan Dupay, Chief, External Auditor
Accounting Division



ENJOY THE HIGH QUALITY AND INFINITE VARIETY OF MINNESOTA FOODS

AN EQUAL OPPORTUNITY EMPLOYER

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION-MODIFIED CASH BASIS
DECEMBER 31, 1984 AND 1983

ASSETS

	<u>1984</u>	<u>1983</u>
CURRENT ASSETS:		
Cash in banks:		
General checking	(\$ 241,782)	\$ 109,886
General investments	1,200,000	1,400,000
Refund checking	400,698	569,133
Refund investments	1,450,000	250,000
Contingency fund investments(Note 2)	222,962	222,962
Accounts receivable	0	25,000
Mortgage note receivable-current portion	22,152	20,454
Interest receivable	53,637	36,907
Prepaid insurance	<u>1,965</u>	<u>1,946</u>
Total current assets	<u>3,109,632</u>	<u>2,636,288</u>
INVESTMENTS:		
Mortgage note receivable (Note 3)	378,412	398,866
Less: current portion	<u>22,152</u>	<u>20,454</u>
Total investments	<u>356,260</u>	<u>378,412</u>
Total assets	<u>\$3,465,892</u>	<u>\$3,014,700</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:		
Refunds payable (Note 1)	\$ 0	\$ 775,082
FUND BALANCE	<u>3,465,892</u>	<u>2,239,618</u>
Total liabilities and fund balance	<u>\$3,465,892</u>	<u>\$3,014,700</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
COMPARATIVE STATEMENTS OF OPERATIONS-MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
REVENUE:		
Dairy checkoff assessments	\$7,454,253	\$7,031,006
Less: assessments refunded	<u>794,980</u>	<u>1,527,134</u>
Net dairy checkoff assessments	6,659,273	5,503,872
Interest on investments	347,970	282,940
Mortgage note interest	<u>31,170</u>	<u>32,738</u>
Total revenue	<u>7,038,413</u>	<u>5,819,550</u>
EXPENSES:		
Promotion - instate	1,960,526	1,412,691
Promotion - national	2,644,991	1,913,237
United Dairy Industry Association - basic program	509,578	786,810
American Dairy Association of Minnesota	627,871	642,954
Dairy, Food and Nutrition Council of Minnesota	423,690	314,920
County and region paybacks	91,800	91,800
State fair booths	11,178	3,609
Research	36,322	0
Council member expense	47,534	46,022
Administrative expense	<u>233,376</u>	<u>233,128</u>
Total expense	<u>6,586,866</u>	<u>5,445,171</u>
REVENUE IN EXCESS OF EXPENSES	451,547	374,379
FUND BALANCE - beginning of year	2,239,618	1,865,241
ADJUSTMENTS TO FUND BALANCE	<u>774,727</u>	<u>0</u>
FUND BALANCE - end of year	<u>\$3,465,892</u>	<u>\$2,239,618</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
COMPARATIVE STATEMENTS OF CHANGES IN FINANCIAL POSITION-MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
SOURCES OF WORKING CAPITAL:		
Operations:		
Revenue in excess of expenses	\$ 451,547	\$374,377
Adjustment to fund balance	774,727	0
Current portion-mortgage note receivable	<u>22,152</u>	<u>20,454</u>
Total sources of working capital	<u>1,248,426</u>	<u>394,831</u>
USES OF WORKING CAPITAL:		
None	<u>0</u>	<u>0</u>
Total uses of working capital	<u>0</u>	<u>0</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$1,248,426</u>	<u>\$394,831</u>
ANALYSIS OF CHANGES IN INDIVIDUAL COMPONENTS OF WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash in banks:		
General checking	(\$351,668)	\$37,417
General investments	(200,000)	0
Refund checking	(168,435)	335,329
Refund investments	1,200,000	0
Contingency fund investments	0	0
Accounts receivable	(25,000)	24,228
Mortgage note receivable- current portion	1,698	1,568
Interest receivable	16,730	(5,242)
Prepaid insurance	19	1,613
Decrease (increase) in current liabilities:		
Refunds payable	<u>775,082</u>	(82)
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$1,248,426</u>	<u>\$394,831</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1984 AND 1983

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. The Minnesota Dairy Research and Promotion Council was established in accordance with state law and is governed by Minnesota Statutes [1982], Sections 17.51-17.69.

Authority to operate is given the Council by the Minnesota Dairy Research and Promotion Order adopted April 1, 1975, revised July, 1984. Pursuant to the terms of the promotional order, the order scheduled to expire December 31, 1984, unless a referendum is held prior to January 1, 1985, which authorizes its continuance. Such a referendum was conducted by the Minnesota Department of Agriculture in 1984 which authorizes the continuance of the Council. Pursuant to the terms of the current Order, no subsequent referendum need be held to insure the Council's continuance. The Order may be terminated by the Council after consultation with the Commissioner of Agriculture or upon petition and a subsequent referendum.

The purpose of the Council is to generate funds equitably from dairy producers for the establishment of market development, promotion, and research projects to benefit the Minnesota dairy industry in the production and sale of its product.

Basis of Accounting. The accompanying financial statements were prepared on a modified cash basis of accounting, consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. This basis of accounting has been modified to recognize certain income and the related assets when earned rather than when received and to recognize certain expenses when the obligation is incurred rather than when paid.

Producer Assessments. Producer assessments are generated by the collection of one half of one percent of the market value of milk shipped by Minnesota dairy producers. Pursuant to the terms of the National Dairy Promotion program, dairy producers must remit fifteen cents per hundredweight to the National Dairy Promotion Board to support the promotional programs of the Board, however, the producers may deduct up to ten cents per hundredweight for funds forwarded to a qualified state promotion organization. The Council qualifies as such an organization and accordingly is currently receiving as producer assessments, funds in excess of one half of one percent of the market value of their milk. Continuance of the National Dairy Promotion program is subject to a nationwide referendum scheduled for 1985.

Assessments collected are refundable under state law, within six months of the date of purchase, to the farmer (producer) upon their written request. Pursuant to the terms of the National Dairy Promotion program, any refund requested from the participating state organization must be forwarded to the National Dairy Promotion Board. Accordingly, at year end a liability for unpaid refunds was not recognized

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 1984 AND 1983

because the amount of such refunds has declined materially since any refund requested by the producer must be forwarded to the National Dairy Promotion Board. A liability for unpaid refunds had been recognized in prior years based on past experience. These assessment refunds were charged to operations in the period in which the assessments were received, based upon a percentage of assessments received. Liability for unpaid refunds, at December 31, 1983, amounted to \$775,082. Assessments refunded, during the years ended December 31, 1984 and 1983 amounted to \$794,780 and \$1,527,134, respectively.

Taxes. As a governmental agency the Internal Revenue Service has determined that the Council is exempt from the filing requirements of nonprofit organizations.

NOTE 2 - CONTINGENCY FUND

The Minnesota Dairy Research and Promotion Council, at its February, 1976 meeting, took action to establish a contingency fund to cover extraordinary expenses as outlined in the minutes of the meeting. The amount of the contingency fund was established as 75% of the difference between the actual revenues in excess of expenditures and the budgeted excess of revenues in excess of expenditures during the first nine months of the Council's operation. The remaining 25% of the difference was left in the operating fund to cover potential refund requests on those funds.

NOTE 3 - MORTGAGE NOTE RECEIVABLE

In 1980, the Council advanced funds to the American Dairy Association of Minnesota (a related party) for the purpose of constructing office space. The transaction was evidenced by a note payable issued by the American Dairy Association of Minnesota and is secured by a first mortgage on the land and building located in Roseville, Minnesota.

The terms of the mortgage agreement provide for the repayment of the face of the note (\$450,000) at eight (8%) percent interest per annum, over a period of fifteen years in monthly installments of \$4,302, beginning February 1, 1981.

Interest received from the American Dairy Association of Minnesota on this mortgage note receivable amounted to \$31,170 and \$32,738 in the years ended December 31, 1984 and 1983, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Minnesota Dairy Research and Promotion Council is provided with office space and management by the American Dairy Association of Minnesota, a nonprofit organization under Section 501(c)6 of the Internal Revenue Code, as is the Dairy, Food and Nutrition Council of Minnesota, a nonprofit organization under Section 501(c)6 of the Internal Revenue Code.

A contract has been entered into with the American Dairy Association of Minnesota to provide administrative services on behalf of the Council. Included with these services are the management and handling of Council funds, in accordance with Council policy,

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 1984 AND 1983

accounting services, communications, and general management. Total expense reimbursement to the American Dairy Association of Minnesota, under this administrative services agreement, was \$168,576 and \$167,340 for the years ended December 31, 1984 and 1983, respectively.

Per agreement, the Council also made payment to the American Dairy Association of Minnesota for dairy food publicity, member, consumer, and public relations. These payments amounted to \$627,871 and \$642,954 for the years ended December 31, 1984 and 1983, respectively.

The Council contracts with the Dairy, Food and Nutrition Council of Minnesota to provide nutrition education to consumer, educational, and professional groups. Payments under these contracts amounted to \$423,690 and \$314,920, respectively.

The Council contracts with the United Dairy Industry Association (UDIA) for certain basic program and promotional activities, including nationwide advertising programs, dairy product research, and nutrition education programs. The Council pays the cost of these programs in proportion to the Minnesota production of milk and its use of these programs. Additionally, the Council purchases from the United Dairy Industry Association various promotional materials for distribution and contributes support for specific campaigns. Amounts paid to the United Dairy Industry Association were as follows for the years ended December 31, :

	<u>1984</u>	<u>1983</u>
Basic program, per contract	\$ 509,578	\$ 786,810
Fall cheese national promotion	1,213,880	1,200,000
December butter promotion	585,402	495,044
Other national programs	744,464	174,108
Purchase of materials	31,419	58,834
Miscellaneous reimbursements	<u>1,533</u>	<u>1,268</u>
Total	<u>\$3,086,276</u>	<u>\$2,716,064</u>

SUPPLEMENTAL INFORMATION

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the basic financial statements, and accordingly, we express no opinion on it.

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
COUNCIL MEMBERS
DECEMBER 31, 1984

Chairman:

Lyle Tjosaas
Route 1, Box 178
Kasson, MN 55944

Vice Chairman:

Russell Martinson, Jr.
Route 1, Box 236
Pine City, MN 55063

Secretary:

George Rydeen
10708 Arcola Trail
Stillwater, MN 55082

Treasurer:

Lloyd Seter, Jr.
Route 2, Box 205
Olyndon, MN 56547

Directors:

Term expires June 30, 1986

Term expires June 30, 1985

District 1	Charles Boyer
District 2	Kenneth Peterson
District 3	Charles Berg
District 4	Elmer Rosenow
District 5	Mary Anne Shepherd
District 6	George Rydeen
District 7	Robert Griebel
District 8	Burton Peterson
District 9	Leslie Winters
District 10	Burton Peterson
District 11	Russell Church

Lloyd Seter, Jr.
Russell Martinson, Jr.
Allen Schroeder
Ervin Silvers
Marvin Mackenthun
Rudolph Sand
Donald Hoese
Ronald Huseh
David Schwartz
Lyle Tjosaas
Glenn Schroeder

General Manager:

Cliff Markuson
2015 Rice Street
Roseville, MN 55113

Assistant General Manager:

Mike Kruger
2015 Rice Street
Roseville, MN 55113

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
SUMMARY OF INTEREST EARNED
FOR THE FISCAL YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
General checking	\$ 61,491	\$ 83,147
General investments	152,880	127,035
Refund checking	29,724	29,953
Refund investments	80,638	22,404
Contingency investments	<u>23,237</u>	<u>20,400</u>
Interest on investments	347,970	282,939
Mortgage note interest	<u>31,170</u>	<u>32,738</u>
Total interest	<u><u>\$379,140</u></u>	<u><u>\$315,677</u></u>

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
COUNCIL MEMBERS EXPENSE
FOR THE FISCAL YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
Per diem	\$11,305	\$12,568
Expenses	<u>36,229</u>	<u>33,454</u>
Total council members expense	<u>\$47,354</u>	<u>\$46,022</u>

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
ADMINISTRATIVE EXPENSE
FOR THE FISCAL YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
Minnesota Department of Agriculture	\$ 57,050	\$ 57,550
American Dairy Association of Minnesota	168,576	167,340
Insurance and bonds	4,720	2,973
Audit and legal fees	2,625	4,430
Nominating committee	405	420
Miscellaneous	<u>0</u>	<u>415</u>
Total administrative expense	<u>\$233,376</u>	<u>\$233,128</u>

MINNESOTA DAIRY RESEARCH AND PROMOTION COUNCIL
AMERICAN DAIRY ASSOCIATION OF MINNESOTA
FOR THE FISCAL YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
Merchandise and member relations	\$385,422	\$388,023
Consumer and public relations	170,228	172,632
Dairy food publicity	<u>72,221</u>	<u>82,299</u>
Total	<u>\$627,871</u>	<u>\$642,954</u>