



November 6, 2025

Board of Directors
Dairy Council of California

Dear Board Member:

Enclosed please find the following:

1. Financial statements of the Dairy Council of California for the years ending June 30, 2025, and 2024, with the Independent Auditor's Report
2. Independent Accountant's Report on Applying Agreed-Upon Procedures
3. Management Report for the Year Ended June 30, 2025
4. Summary of Audit Adjustments, June 30, 2025

If you have any questions, do not hesitate to call.

Sincerely,

Amy DeLisio
Chief Executive Officer

Matt Delgado
Operations Officer



DAIRY COUNCIL OF CALIFORNIA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
JUNE 30, 2025 AND 2024

MUN CPAs, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833

**DAIRY COUNCIL OF CALIFORNIA
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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Dairy Council of California

Opinion

We have audited the accompanying financial statements of Dairy Council of California (the Council), which comprise the statements of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses and changes in net position, 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 Dairy Council of California as of June 30, 2025 and 2024, and the changes in its financial position 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Dairy Council of California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Dairy Council of California's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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 Dairy Council of California'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 Dairy Council of California'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7, schedule of the Council's proportionate share of the net pension (asset) liability on pages 27 - 28, schedule of contributions to the cost-sharing defined benefit pension plan on pages 29 - 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MUN CPAs, LLP

Sacramento, California
October 31, 2025

**DAIRY COUNCIL OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

INTRODUCTION

Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of the Dairy Council of California (the Council) for the years ended June 30, 2025 and 2024. It has been prepared by management and is required supplementary information to the financial statements. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- The Council's 2025 assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2025 by \$1,383,829 (total net position). This amount decreased \$1,123,667 or 44.8% from the prior year amount of \$2,507,496.
- The decrease in assets was due to a combination of a decrease in cash and cash equivalents, as well as a reduction in the net pension liability during the year ended June 30, 2025.
- Of the total net position at the end of fiscal year 2025, net investment in capital assets decreased \$107,303 to \$338,896 or 24.0% from the prior year amount of \$446,199.
- Unrestricted net position at the end of fiscal year 2025 decreased \$1,016,364 to \$1,044,933 or 49.3% from the prior year amount of \$2,061,297. This amount made up 75.5% of total net position.
- The Council's 2024 assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2024 by \$2,507,496 (total net position). This amount decreased \$1,516,555 or 37.7% from the prior year amount of \$4,024,051.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Council's financial report. The Council's financial report includes three basic financial statements: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. The Council's basic financial statements also include notes to the financial statements. Financial statements are designed to present a broad overview of the financial data for the Council, in a manner similar to a private-sector business.

The *Statements of Net Position* present information on all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the Council, using the accrual basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the current financial condition of the Council.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the Council's net position varied during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operating, non-capital financing, capital financing and investing activities.

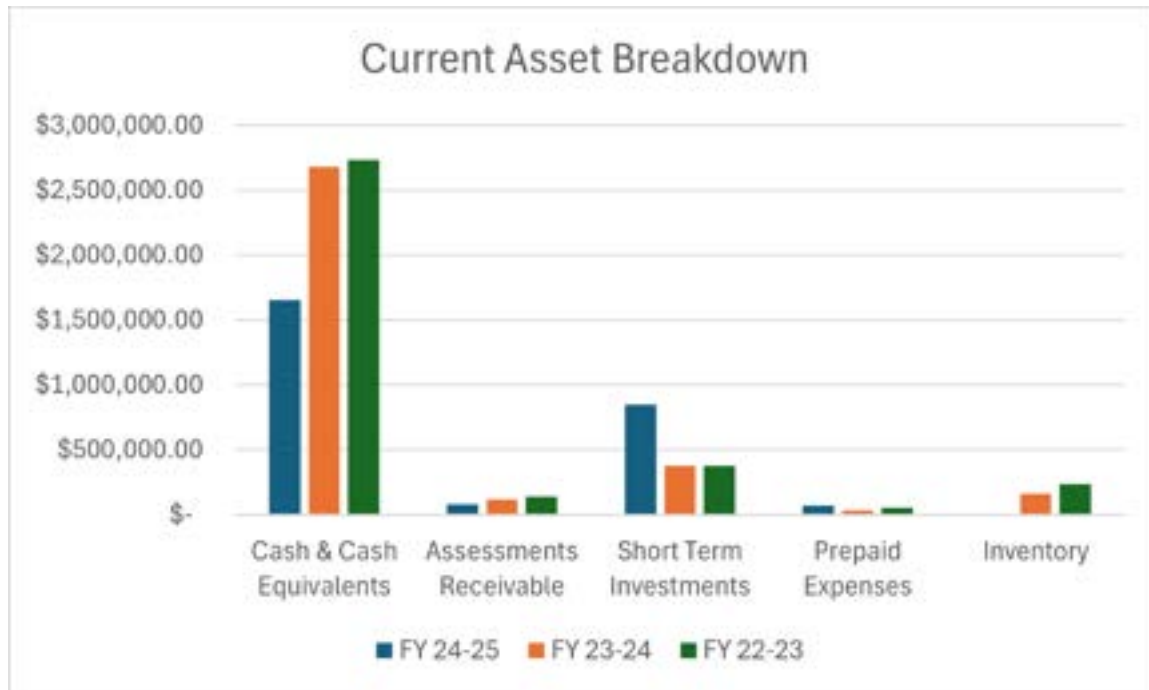
The notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

**DAIRY COUNCIL OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

FINANCIAL ANALYSIS

Comparative data for the prior year ended June 30, 2024, has been presented in the accompanying financial statements (including MD&A) to facilitate financial analysis for the current year ended June 30, 2025. A comparative analysis of fiscal year 2024 with fiscal year 2023 is also presented in the MD&A.

	2025	2024	2023
Current assets	\$ 2,677,642	\$ 3,386,878	\$ 3,571,780
Noncurrent assets	<u>1,780,316</u>	<u>1,190,239</u>	<u>1,627,674</u>
Total assets	<u>4,457,958</u>	<u>4,577,117</u>	<u>5,199,454</u>
Deferred outflows of resources	<u>1,416,943</u>	<u>2,099,325</u>	<u>2,306,763</u>
Current liabilities	595,539	632,715	644,820
Non-current liabilities	<u>3,273,716</u>	<u>3,083,964</u>	<u>2,656,514</u>
Total liabilities	<u>3,869,255</u>	<u>3,716,679</u>	<u>3,301,334</u>
Deferred inflows of resources	<u>621,817</u>	<u>452,267</u>	<u>180,832</u>
Net assets:			
Net investment in capital assets	338,896	446,199	598,795
Unrestricted	<u>1,044,933</u>	<u>2,061,297</u>	<u>3,425,256</u>
Total net position	<u>\$ 1,383,829</u>	<u>\$ 2,507,496</u>	<u>\$ 4,024,051</u>



**DAIRY COUNCIL OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. The largest portion (60%) of the Council's assets are current assets consisting primarily of cash and cash equivalents, investments, receivables, and prepaid expenses.

Current assets at the end of fiscal year 2025 totaled \$2,677,642 decreasing \$709,236 from the prior year amount of \$3,386,878. This decrease is mostly due to cash borrowed from reserves that was approved as part of the normal operating budget. Total current assets cover current liabilities 4.5 times, indicating excellent liquidity.

At the end of fiscal year 2024, the largest portion (74%) of the Council's assets were current assets consisting primarily of cash and cash equivalents, investments, receivables, prepaid expenses and inventory. Current assets at the end of fiscal year 2024 totaled \$3,386,878 decreasing \$184,902 from the prior year amount of \$3,571,780. This decrease is mostly due to cash borrowed from reserves that was approved as part of the normal operating budget.

Liabilities at the end of fiscal year 2025 totaled \$3,869,255, increasing from a balance of \$3,716,679 in 2024 and increasing from a balance of \$3,301,334 in 2023. The increase in 2024 was primarily due to a decrease in the CalPERS unfunded liability. The Council's liabilities primarily consist of noncurrent liabilities including lease payable and pension obligations.

At the end of fiscal year 2025, net position invested in capital assets totaled \$338,896, decreasing \$107,303 from a balance of \$446,199 in 2024. This decrease is primarily due the disposal of assets in 2025. Net position invested in capital assets represent 24% of total net position.

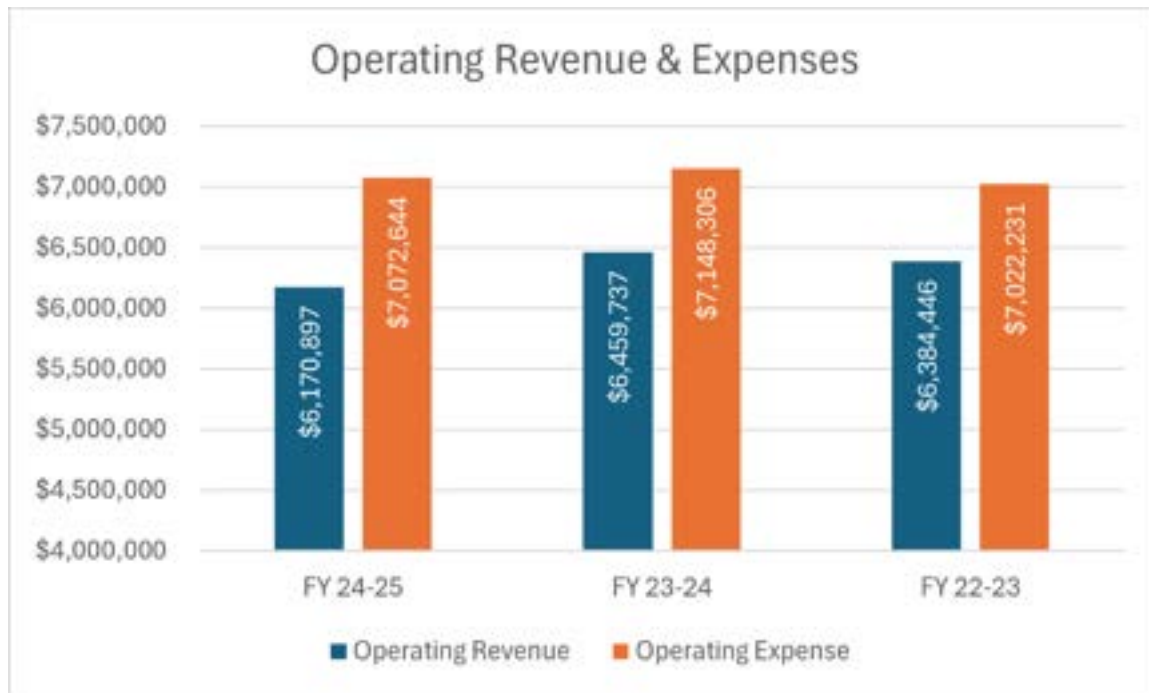
Unrestricted net position available for future activities totaled \$1,044,933 at the end of fiscal year 2025, decreasing \$1,016,364 from the prior year amount of \$2,061,297.

Unrestricted net position available for future activities totaled \$2,061,297 at the end of fiscal year 2024, decreasing \$1,363,959 from the prior year amount of \$3,425,256.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 6,170,897	\$ 6,459,737	\$ 6,384,446
Operating Expenses	7,072,644	7,148,306	7,022,231
Pension Expense	<u>371,156</u>	<u>954,203</u>	<u>3,240,873</u>
Operating income (loss)	<u>(1,272,903)</u>	<u>(1,642,772)</u>	<u>(3,878,658)</u>
Non-operating revenues (expenses)	<u>149,236</u>	<u>126,217</u>	<u>107,816</u>
Change in net position	(1,123,667)	(1,516,555)	(3,770,842)
Net position - Beginning of Year	<u>2,507,496</u>	<u>4,024,051</u>	<u>7,794,893</u>
Net position - ending	<u>\$ 1,383,829</u>	<u>\$ 2,507,496</u>	<u>\$ 4,024,051</u>

**DAIRY COUNCIL OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**



Operating revenues totaled \$6,170,897 in 2025, decreasing \$288,840 or 4.5% from \$6,459,737 earned in 2024. The majority of operating revenue consisted of assessment revenue totaling \$6,161,151 (99.8%). The remaining portion of \$9,746 (0.2%) came from out of state sales of educational materials.

Operating expenses totaled \$7,072,644 in 2025, decreasing \$75,662 or 1.1% from \$7,148,306 in 2024. The Council had a \$371,156 adjustment to the net pension liability during 2025, which resulted in a pension deficit recorded as part of the change in net position for 2025.

Operating revenues totaled \$6,459,737 in 2024, increasing \$75,291 or 1.1% 1.18% from \$6,384,446 earned in 2023. The majority of operating revenue consisted of assessment revenue totaling \$6,450,530 (99.9%). The remaining portion of \$9,207 (0.1%) came from out of state sales of educational materials.

Operating expenses totaled \$7,148,306 in 2024, increasing \$126,075 or 1.8% from \$7,022,231 in 2023. The Council had a \$954,203 adjustment to the net pension liability during 2024, which resulted in a pension deficit recorded as part of the change in net position for 2024.

CAPITAL ASSETS

The Council's capital assets totaled \$1,080,182 as of June 30, 2025, increasing \$586,103 from the prior year amount of \$494,079 (net of accumulated depreciation). As of June 30, 2024, the Council's capital assets totaled \$494,079, decreasing \$263,541 from the prior year amount of \$757,620. These fluctuations represent depreciation of capital assets used for program activities plus additions and deletions of capital assets during the fiscal year.

ACCRUED VACATION BENEFITS

At the end of fiscal year 2025, the Council accumulated an accrued vacation benefits balance of \$244,934, an increase of \$43,153 from the prior year balance of \$201,781. The June 2024 balance showed a \$18,497 increase from the June 2023 balance of \$183,284.

**DAIRY COUNCIL OF CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025 AND 2024**

FUTURE ECONOMIC CONDITIONS

Dairy Council of California continues to show financial consistency. Assessment revenues have remained virtually flat over the last four fiscal years, and expenses have remained relatively flat as well. A key strategy of the organization is the ability to meet with their target audiences. These meetings are now becoming in-person as well as virtual.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances and to show the Council's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dairy Council of California, 3900 Lennane Dr., Suite 225 Sacramento, CA 95834; attn: Matt Delgado – Operations Officer.

**DAIRY COUNCIL OF CALIFORNIA
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 1,651,538	\$ 2,676,772
Investments, current (Note 4)	850,761	374,373
Receivables:		
Assessments	83,065	117,248
Interest	24,026	24,502
Prepaid expenses	68,252	33,508
Inventories	<u>-</u>	<u>160,475</u>
Total Current Assets	<u>2,677,642</u>	<u>3,386,878</u>
Non-Current Assets		
Investments, noncurrent (Note 4)	700,134	696,160
Capital assets, net (Note 5)	<u>1,080,182</u>	<u>494,079</u>
Total Non- Current Assets	<u>1,780,316</u>	<u>1,190,239</u>
Total Assets	<u>4,457,958</u>	<u>4,577,117</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Changes in the net pension liability (Note 7)	<u>1,416,943</u>	<u>2,099,325</u>
Total Deferred Outflows of Resources	<u>1,416,943</u>	<u>2,099,325</u>

The accompanying notes are an integral part of these financial statements.

**DAIRY COUNCIL OF CALIFORNIA
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
Current Liabilities		
Accounts payable and accrued liabilities	131,001	234,121
Accrued salaries, taxes and benefits	393,780	350,714
Lease liability, current portion (Note 6)	<u>70,758</u>	<u>47,880</u>
Total Current Liabilities	<u>595,539</u>	<u>632,715</u>
Non-Current Liabilities		
Lease liability, net of current portion (Note 6)	670,528	-
Net pension liability (Note 7)	<u>2,603,188</u>	<u>3,083,964</u>
Total Non-Current Liabilities	<u>3,273,716</u>	<u>3,083,964</u>
Total Liabilities	<u>3,869,255</u>	<u>3,716,679</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Changes in the net pension liability (Note 7)	<u>621,817</u>	<u>452,267</u>
Total Deferred Inflows of Resources	<u>621,817</u>	<u>452,267</u>
<u>NET POSITION</u>		
Net investment in capital assets	338,896	446,199
Unrestricted	<u>1,044,933</u>	<u>2,061,297</u>
Total Net Position	<u>\$ 1,383,829</u>	<u>\$ 2,507,496</u>

The accompanying notes are an integral part of these financial statements.

DAIRY COUNCIL OF CALIFORNIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>OPERATING REVENUES</u>		
Assessments	\$ 6,161,151	\$ 6,450,530
Sales of educational material	<u>9,746</u>	<u>9,207</u>
Total Operating Revenues	<u>6,170,897</u>	<u>6,459,737</u>
<u>OPERATING EXPENSES</u>		
Program services	5,640,706	6,591,622
Industry relations	23,578	42,212
Administration	<u>1,779,516</u>	<u>1,468,675</u>
Total Operating Expenses	<u>7,443,800</u>	<u>8,102,509</u>
Net Operating Loss	<u>(1,272,903)</u>	<u>(1,642,772)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income, net	127,892	126,217
Gain on disposal of capital assets	<u>21,344</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>149,236</u>	<u>126,217</u>
Decrease in Net Position	(1,123,667)	(1,516,555)
Net Position - Beginning of Year	<u>2,507,496</u>	<u>4,024,051</u>
Net Position - End of Year	<u><u>\$ 1,383,829</u></u>	<u><u>\$ 2,507,496</u></u>

The accompanying notes are an integral part of these financial statements.

**DAIRY COUNCIL OF CALIFORNIA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<u>Cash flows from operating activities:</u>		
Cash received from producers and processors	\$ 6,205,080	\$ 6,483,059
Cash payments to suppliers for goods and services	(1,785,833)	(1,864,188)
Cash payments to employees for services	<u>(4,957,716)</u>	<u>(4,875,519)</u>
Net cash used for operating activities	<u>(538,469)</u>	<u>(256,648)</u>
<u>Cash flows from capital and related financing activities:</u>		
Proceeds from the disposal of capital assets	26,588	-
Purchases of capital assets	(87,763)	-
Principal payments on leases	<u>(86,824)</u>	<u>(110,945)</u>
Net cash used for capital and related financing activities	<u>(147,999)</u>	<u>(110,945)</u>
<u>Cash flows from investing activities:</u>		
Purchase of investments	(467,134)	-
Proceeds from sales of investments	-	187,673
Investment income	<u>128,368</u>	<u>126,217</u>
Net cash (used for) provided by investing activities	<u>(338,766)</u>	<u>313,890</u>
Net decrease in cash and cash equivalents	(1,025,234)	(53,703)
Cash and cash equivalents at beginning of the year	<u>2,676,772</u>	<u>2,730,475</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,651,538</u></u>	<u><u>\$ 2,676,772</u></u>

The accompanying notes are an integral part of these financial statements.

**DAIRY COUNCIL OF CALIFORNIA
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Reconciliation of net operating loss to net cash used for operating activities:		
Net Operating Loss	\$ (1,272,903)	\$ (1,642,772)
Adjustments to reconcile net operating loss to net cash used for operating activities:		
Depreciation and amortization	263,418	263,541
Changes in:		
Assessments receivable	34,183	23,322
Prepaid expenses	(34,744)	19,748
Inventories	160,475	74,350
Accounts payable and accrued liabilities	(103,120)	42,177
Accrued salaries, taxes, and benefits	43,066	8,783
Net pension liability and related deferrals	<u>371,156</u>	<u>954,203</u>
Net cash used for operating activities	<u>\$ (538,469)</u>	<u>\$ (256,648)</u>
Supplemental cash flow information		
Right-to-use asset obtained in exchange for lease liabilities	<u>\$ 780,230</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 1: ORGANIZATION

The Dairy Council of California (Council) is an instrumentality of the State of California operating within the authority of the Dairy Council of California Law (1962). The Council's activities are regulated by the Bureau of Marketing and State Department of Food and Agriculture. The purpose of the Council is to enable the dairy industry, with the aid of the State of California, to develop, maintain, and expand the markets for dairy products, which are produced, processed, or manufactured in the state, and the use and consumption of such dairy products within. The Council's statewide education and nutrition communications programs are financed by funds collected from the California dairy industry by the California Department of Food and Agriculture (CDFA).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Council operates as an enterprise activity. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the industry on a continuing basis be financed or recovered primarily through assessment revenues.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of the Council are assessment revenues. Operating expenses for enterprise funds include the cost of marketing programs, production research, industry affairs and administrative expenses, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position

Net position is classified as net investment in capital assets, restricted net position, and unrestricted net position.

Net investment in capital assets - Net investment in capital assets of \$338,896 and \$446,199 at June 30, 2025 and 2024, respectively, represents investments in all capital assets (furniture, fixtures, equipment, trucks and trailers, and software in process), net of accumulated depreciation and outstanding principal debt balances related to acquisition of those assets.

Restricted net position - Restricted net position represents net position, subject to externally imposed restrictions that can be fulfilled by the actions of the Council pursuant to those restrictions. The Council did not have restricted net position at June 30, 2025 and 2024.

Unrestricted net position - Unrestricted net position represents the net position of the Council not externally restricted for any project or other purpose.

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Assessment Revenues

The Council is funded through mandatory assessments on dairy producers and processors of milk. Assessment fees are calculated based on the pounds of milk reported by dairy producers to the California Department of Food and Agriculture (CDFA). Annually, the Council's Board of Directors recommends an assessment rate on milk used in Class 1 and all other usages at its June board meeting. The assessment rate is approved by the CDFA in accordance with the Dairy Council of California Law. The rate is set to meet the budget requirement for the next fiscal year. The assessment rates were \$0.0140 per hundredweight for Class 1, and \$0.0070 per hundredweight for all other usages for both of the years ended June 30, 2025 and 2024, respectively.

Assessments Receivable

Assessments receivable are stated at the amount management expects to collect from outstanding balances after allowances for discounts, returns, and bad debts, taking into account creditworthiness of customers and history of collection. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to accounts receivable. There was no allowance for doubtful accounts for assessments receivable at both June 30, 2025 and 2024, respectively.

Inventories

Inventories, which consist primarily of printed material used in educational programs, are valued at the lower of cost or market. Cost is determined by using the average cost method. The Council no longer maintains an inventory balance as of June 30, 2025, and no inventory-related transactions occurred during the year ended June 30, 2025.

Capital Assets

Capital assets are recorded at cost, when the cost is \$2,000 or greater with a useful life greater than one year, net of accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives ranging from three to ten years, on a straight-line basis.

Leases

The Council is a lessee for a noncancellable lease of office space. The Council recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

At the commencement of a lease, the Council initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Council determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Council uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Council is reasonably certain to exercise.

The Council monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statements of net position.

Compensated Absences

Council employees are granted vacation in varying amounts with maximum accumulations of 320 hours depending on the length of service. Vacation accrues each pay period based on length of service with the Council. Accumulated unpaid employee vacation benefits are recognized as liabilities of the Council. The amount of accumulated vacation benefits at June 30, 2025 and 2024 was \$244,934 and \$201,781, respectively and are included in accrued salaries, taxes, and benefits on the accompanying statements of net position.

The employees are more likely than not to convert unused sick leave to additional service credits for CalPERS retirement. For this reason, the Council does not accrue a liability for accumulated sick leave benefits. Sick leave benefits are recorded as expenses in the period sick leave is taken.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position, or balance sheet, will sometimes report a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position, or balance sheet, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value by CalPERS and not reported by the Council. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

Government Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 - *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Council adopted this accounting standard for the fiscal year ending June 30, 2025. There was no significant financial impact to the Council as a result of implementation.

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

Cash and cash equivalents	<u>2025</u>	<u>2024</u>
Local Agency Investment Fund	\$ 700,473	\$ 1,652,595
U.S. Bank checking	432,666	374,765
U.S. Bank depository	237,483	362,956
Charles Schwab deposit	<u>280,916</u>	<u>286,456</u>
Total cash and cash equivalents	<u>\$ 1,651,538</u>	<u>\$ 2,676,772</u>

Custodial risk for deposits is the risk that in the event of a bank failure, the Council's deposits may not be returned. At times during the years ended June 30, 2025 and 2024, funds on deposit at financial institutions may exceed insurance limits. Cash balances held in banks are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation (FDIC). Additionally, the California Government Code requires that a financial institution secure deposits made by state or local governmental units pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The Council has not experienced any losses and the risk of loss is not significant. The Council does not have a custodial credit risk policy.

NOTE 4: INVESTMENTS

The Council maintained the following investments at June 30:

	<u>2025</u>	<u>2024</u>
Certificates of deposit, interest rates from 4.00% to 4.9%	<u>\$ 1,550,895</u>	<u>\$ 1,070,533</u>

Certificates of deposit are classified by maturity dates as follows:

	<u>2025</u>	<u>2024</u>
Current	\$ 850,761	\$ 374,373
Long-term	<u>700,134</u>	<u>696,160</u>
	<u>\$ 1,550,895</u>	<u>\$ 1,070,533</u>

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 4: INVESTMENTS (CONTINUED)

Investment Income

Net investment income was \$127,892 and \$126,217 for the years ended June 30, 2025 and 2024, respectively, and is comprised of interest, dividends, realized and unrealized gains and losses due to changes in the fair value of investments held at year-end, net of investment fees.

Investment Policy

The Council's Investment policy, which has been approved by the Board of Directors, allows for funds that are not required for immediate operating needs be invested in instruments outlined in California Government Code 16430. The Council's Investment policy as well as California Government Code specifies the following as eligible securities:

Authorized Investment Types

- California Local Agency Investment Fund (LAIF)
- Bonds of the United States Government
- Bonds guaranteed by the United States Government
- Bond of the State of California
- Commercial Paper
- Banker' Acceptance
- Negotiable certificates of deposit insured by the FDIC
- Bank loans guaranteed by the U.S. Small Business Administration, U.S. Farmers Hope Administration, Export-Import Bank
- Student loan notes insured under the Guarantee Student Loan Program

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations to the holder of the investment. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. The certificates of deposit included in investments in the accompanying financial statements were not rated as of June 30, 2025 and 2024.

Local Agency Investment Fund (LAIF)

The Council is a voluntary participant in LAIF which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF balances have been classified as cash and cash equivalents on the statements of net position. Separate complete financial statements are available at P.O. Box 942809, Sacramento, CA 94209-0001.

DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4: INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Council limits its exposure interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Council's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Council's investments by maturity as of June 30, 2025 and 2024:

June 30, 2025 Investment Type	Remaining Maturity			Fair Value
	3 months or less	3 - 12 months	1 year or more	
Certificates of deposit	\$ -	\$ 850,761	\$ 700,134	\$ 1,550,895
Total Investments	\$ -	\$ 850,761	\$ 700,134	\$ 1,550,895

June 30, 2024 Investment Type	Remaining Maturity			Fair Value
	3 months or less	3 - 12 months	1 year or more	
Certificates of deposit	\$ -	\$ 374,373	\$ 696,160	\$ 1,070,533
Total Investments	\$ -	\$ 374,373	\$ 696,160	\$ 1,070,533

Concentration of Credit Risk

The Council has invested in the following issuers that represent 5% or more of total investments as of June 30:

Issuers	June 30, 2025	June 30, 2024
American Express	8%	NA
Bank of America	11%	NA
Discover	NA	9%
Goldman Sachs	16%	NA
JP Morgan Chase	NA	15%
Live Oak Bank	14%	NA
Manufacturers & T	NA	18%
Morgan Stanley Bank	14%	NA
NBH Bank	14%	NA
Synchrony Bank	8%	18%
USB Bank USA	NA	18%

DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 was as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>June 30, 2025</u>
Capital assets being depreciated:					
Furniture, fixtures and equipment	\$ 333,097	\$ 21,975	\$ (322,125)	\$ -	\$ 32,947
Trucks and trailers	612,480	65,788	(173,476)	68,883	573,675
Software	947,378	-	-	(68,883)	878,495
Lease right-to-use asset	<u>431,385</u>	<u>780,230</u>	<u>(431,385)</u>	<u>-</u>	<u>780,230</u>
Total capital assets being depreciated	<u>2,324,340</u>	<u>867,993</u>	<u>(926,986)</u>	<u>-</u>	<u>2,265,347</u>
Total capital assets	<u>2,324,340</u>	<u>867,993</u>	<u>(926,986)</u>	<u>-</u>	<u>2,265,347</u>
Less accumulated depreciation:					
Furniture, fixtures, and equipment	(306,582)	(4,026)	308,897	(5,606)	(7,317)
Truck and trailers	(614,657)	(39,589)	173,476	37	(480,733)
Software	(521,742)	(126,684)	-	325	(648,101)
Lease right-to-use asset	<u>(387,280)</u>	<u>(93,119)</u>	<u>431,385</u>	<u>-</u>	<u>(49,014)</u>
Total accumulated depreciation	<u>(1,830,261)</u>	<u>(263,418)</u>	<u>913,758</u>	<u>(5,244)</u>	<u>(1,185,165)</u>
Total capital assets, net	<u>\$ 494,079</u>	<u>\$ 604,575</u>	<u>\$ (13,228)</u>	<u>\$ (5,606)</u>	<u>\$ 1,080,182</u>

Depreciation and amortization expense for the year ended June 30, 2025 totaled \$263,418.

Capital assets activity for the year ended June 30, 2024 was as follows:

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	<u>June 30, 2024</u>
Capital assets being depreciated:					
Furniture, fixtures and equipment	\$ 333,097	\$ -	\$ -	\$ -	\$ 333,097
Trucks and trailers	612,480	-	-	-	612,480
Software	947,378	-	-	-	947,378
Lease right-to-use asset	<u>431,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,385</u>
Total capital assets being depreciated	<u>2,324,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,324,340</u>
Total capital assets	<u>2,324,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,324,340</u>
Less accumulated depreciation:					
Furniture, fixtures, and equipment	(298,562)	(8,020)	-	-	(306,582)
Truck and trailers	(589,911)	(24,746)	-	-	(614,657)
Software	(394,731)	(127,011)	-	-	(521,742)
Lease right-to-use asset	<u>(283,516)</u>	<u>(103,764)</u>	<u>-</u>	<u>-</u>	<u>(387,280)</u>
Total accumulated depreciation	<u>(1,566,720)</u>	<u>(263,541)</u>	<u>-</u>	<u>-</u>	<u>(1,830,261)</u>
Total capital assets, net	<u>\$ 757,620</u>	<u>\$ (263,541)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,079</u>

Depreciation and amortization expense for the year ended June 30, 2024 totaled \$263,541.

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 6: LONG-TERM LIABILITIES

Long-term liabilities activity for the years ended June 30, 2025 and 2024 was as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Current Portion</u>
Lease liability	\$ 47,880	\$ 780,230	\$ (86,824)	\$ 741,286	\$ 70,758
Compensated absences	<u>201,781</u>	<u>43,154</u>	<u>-</u>	<u>244,935</u>	<u>244,935</u>
Long-term liabilities	<u>\$ 249,661</u>	<u>\$ 823,384</u>	<u>\$ (86,824)</u>	<u>\$ 986,221</u>	<u>\$ 315,693</u>

	<u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2024</u>	<u>Current Portion</u>
Lease liability	\$ 158,825	\$ -	\$ (110,945)	\$ 47,880	\$ 47,880
Compensated absences	<u>184,664</u>	<u>17,117</u>	<u>-</u>	<u>201,781</u>	<u>201,781</u>
Long-term liabilities	<u>\$ 343,489</u>	<u>\$ 17,117</u>	<u>\$ (110,945)</u>	<u>\$ 249,661</u>	<u>\$ 249,661</u>

Leases

The Council, as a lessee, has entered into a lease agreement involving office space on Lenane Drive for a term of 9 years using an estimated borrowing rate of 4.19% as the discount rate for the lease. The total of the Council's lease assets are recorded at a cost of \$780,230, less accumulated amortization of \$49,014.

Facilities for one office space is being leased under a non-cancellable lease. The lease rental is adjusted annually based on either the increase in the landlord's operating expenses or the consumer price index. The lease is subject to a contingency that the Council continues its operations. In the event of a termination, suspension or discontinuance of the operations of the Council by operation of law or by order the Secretary of Agriculture, the Council has the one time right to terminate the lease with a minimum of two months prior written notice of the termination date.

During the year ended June 30, 2025, the lease agreement for office space on North Market Boulevard was terminated. The remaining lease liability and related right-to-use asset were derecognized. As of June 30, 2025, the Council had no remaining lease obligations related to this agreement.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 70,758	\$ 29,377	\$ 100,135
2027	76,853	26,286	103,139
2028	88,903	22,855	111,758
2029	100,215	18,842	119,057
2030	108,149	14,480	122,629
2031 - 2033	<u>296,408</u>	<u>14,869</u>	<u>311,277</u>
	<u>\$ 741,286</u>	<u>\$ 126,709</u>	<u>\$ 867,995</u>

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The Council participates in a a Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan), administered by the California Public Employees' Retirement System (CalPERS). All qualified half-time or full-time employees of the Council are eligible to participate. The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety and miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the safety or miscellaneous pools. The Council sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and Council resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

The Council has one local Miscellaneous Retirement Benefit Plan, with two tiers. Tier I benefits for members hired before January 1, 2013 are under the 2.0% @ age 55 retirement formula, and Tier II (PEPRA) benefits for members hired on or after January 1, 2013 are under the 2.0% @ age 62 retirement formula. Tier I plan members are required to contribute 7.00% of their annual covered salary, and the Council is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. Tier II plan members are required to contribute 6.75% of their annual covered salary, and the employer contributes 8.17% on behalf of members.

The Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous Plan			
	Tier I		Tier II (PEPRA)	
Hire Date	Prior to January 1, 2013		January 1, 2013 or later	
Benefit Formula	2.0% @ 55		2.0% @ 62	
Benefit Vesting Schedule	5 years service		5 years service	
Benefit Payments	monthly for life		monthly for life	
Retirement Age	50 - 63		52 - 67	
Monthly Benefits, as a % of Eligible Compensation	2.5%		2.0%	
Required Employee Contribution Rates	7.00%		6.750%	
	2025	2024	2025	2024
Required Employer Contribution Rates	11.88 %	11.84 %	7.87 %	7.68 %
Required Unfunded Accrued Liability Contribution	\$ 103,723	\$ -	\$ 3,333	\$ -

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Council is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Council's contributions to the Plan for the years ended June 30, 2025 and 2024 were \$610,231 and \$591,625 respectively.

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2025 and 2024, the Council reported a net pension liability of \$2,603,188 and \$3,083,964, respectively, for its proportionate share of the net pension liability of the Plan.

The Council's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024 and 2023, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 and 2022 rolled forward to June 30, 2024 and 2023 using standard update procedures. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Council's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2023 was as follows:

Proportion - June 30, 2024	0.06167 %
Proportion - June 30, 2025	<u>0.05382 %</u>
Change - Increase (Decrease)	<u>(0.00785)%</u>
Proportion - June 30, 2023	0.05575 %
Proportion - June 30, 2024	<u>0.06167 %</u>
Change - Increase (Decrease)	<u>0.00592 %</u>

For the years ended June 30, 2025 and 2024, the Council recognized pension expense in the amount of \$981,387 and \$1,545,830, respectively.

At June 30, 2025, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 610,231	\$ -
Differences between expected and actual experiences	225,070	8,782
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	96,411	613,035
Changes in assumptions	66,907	-
Adjustment due to differences in proportions	268,461	-
Net differences between projected and actual earnings on plan investments	<u>149,862</u>	<u>-</u>
Total	<u>\$ 1,416,942</u>	<u>\$ 621,817</u>

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2024, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 591,625	\$ -
Differences between expected and actual experiences	157,546	24,439
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	234,142	427,828
Changes in assumptions	186,193	-
Adjustment due to differences in proportions	430,498	-
Net differences between projected and actual earnings on plan investments	<u>499,321</u>	<u>-</u>
Total	<u>\$ 2,099,325</u>	<u>\$ 452,267</u>

\$610,231 and \$591,625 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the years ended June 30, 2025 and 2024, respectively, will be recognized as a reduction of the net pension liability in the years ending June 30, 2026 and 2025, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows as of:

Fiscal Year ended June 30:	
2026	\$ 153,716
2027	156,739
2028	(74,205)
2029	<u>(51,356)</u>
Total	<u>\$ 184,894</u>

Fiscal Year ended June 30:	
2025	\$ 469,792
2026	271,028
2027	300,284
2028	<u>14,329</u>
Total	<u>\$ 1,055,433</u>

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions:

	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>
Valuation Date	June 30, 2023	June 30, 2022
Measurement Date	June 30, 2024	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.30%	2.30%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Mortality (1)	Derived using CalPERS membership data for all funds	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter	Contract COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing morality improvement using 80% of scale MP 2020 published by the Society of Actuaries. For more details, please refer to the the 2021 experience study report that can be found on the CalPERS website.

Changes in Assumptions

There were no changes of assumptions for the June 30, 2023 valuation date.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The expected real rates of return by asset class are as follows:

2024: Measurement Period

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (a)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	(0.59)%

(a) An expected inflation of 2.30% used for this period

2023: Measurement Period

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (a)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	(0.59)%

(a) An expected inflation of 2.30% used for this period

**DAIRY COUNCIL OF CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Council's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

June 30, 2025			
<u>Net Pension Liability (Asset)</u>	<u>Discount Rate -1% (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>Discount Rate +1% (7.90%)</u>
Miscellaneous Plan	\$ 6,805,222	\$ 2,603,188	\$ (855,704)

June 30, 2024			
<u>Net Pension Liability (Asset)</u>	<u>Discount Rate -1% (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>Discount Rate +1% (7.90%)</u>
Miscellaneous Plan	\$ 7,035,833	\$ 3,083,964	\$ (168,763)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8: RISK MANAGEMENT

The Council is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council purchased insurance coverage for commercial property, commercial general liability, commercial auto, fiduciary liability, directors and officers liability, employment practices liability, umbrella coverage, workers compensation, and employee dishonesty.

NOTE 9: MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

The Council has evaluated subsequent events through the date of this report, which is October 31, 2025, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

**DAIRY COUNCIL OF CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
AS OF JUNE 30, 2025
LAST 10 YEARS**

	Measurement Period				
	2024	2023	2022	2021	2020
Proportion of the net pension (asset) liability	0.05382 %	0.06167 %	0.05575 %	(0.00995)%	0.02709 %
Proportionate share of the net pension (asset) liability	\$ 2,603,188	\$ 3,083,964	\$ 2,608,634	\$ (537,889)	\$ 2,947,208
Covered payroll	\$ 3,465,481	\$ 3,445,609	\$ 3,251,680	\$ 3,180,998	\$ 3,222,011
Proportionate share of the net pension liability as a percentage of covered payroll	75.12 %	89.50 %	80.22 %	(16.91)%	91.47 %
Plan fiduciary net position as a percentage of the total pension liability	78.10 %	76.20 %	76.70 %	88.30 %	75.10 %

Notes to Schedule:

Benefit changes: In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions: In fiscal years 2023-24 and 2022-23, there were no changes to the actuarial assumptions or methods in relation to financial reporting. In November 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions. For PERF C, these changes were implemented in the June 30, 2021, actuarial valuations for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50 percent to 2.3 percent, the administrative expense assumption was reduced from 0.15 percent to 0.10 percent, and the discount rate was reduced from 7.00 percent to 6.80 percent. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15 percent to 6.90 percent in Fiscal Year 2021-22. In 2021, 2020 and 2019, there were no changes. In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense).

**DAIRY COUNCIL OF CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
(CONTINUED)
AS OF JUNE 30, 2025
LAST 10 YEARS**

	Measurement Period				
	2019	2018	2017	2016	2015
Proportion of the net pension (asset) liability	0.02691 %	0.02771 %	0.02875 %	0.02619 %	0.01571 %
Proportionate share of the net pension (asset) liability	\$ 2,757,440	\$ 2,670,279	\$ 2,851,515	\$ 2,266,588	\$ 1,078,105
Covered payroll	\$ 2,895,546	\$ 2,901,029	\$ 2,637,806	\$ 2,855,755	\$ 2,808,831
Proportionate share of the net pension liability as a percentage of covered payroll	95.23 %	92.05 %	108.10 %	79.37 %	38.38 %
Plan fiduciary net position as a percentage of the total pension liability	75.26 %	75.26 %	73.31 %	74.06 %	78.40 %

**DAIRY COUNCIL OF CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST-SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2025
LAST 10 YEARS**

	Fiscal Year-End				
	2025	2024	2023	2022	2021
Contractually required contribution (actuarially determined)	\$ 451,498	\$ 591,625	\$ 566,413	\$ 519,369	\$ 535,669
Contributions in relation to the actuarially determined contributions	<u>610,231</u>	<u>591,625</u>	<u>566,413</u>	<u>1,803,678</u>	<u>804,684</u>
Contribution deficiency (excess)	<u>\$ (158,733)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,284,309)</u>	<u>\$ (269,015)</u>
Covered payroll	\$ 3,634,294	\$ 3,465,481	\$ 3,445,609	\$ 3,251,680	\$ 3,180,998
Contributions as a percentage of covered payroll	16.79 %	17.07 %	16.44 %	55.47 %	25.30 %

**DAIRY COUNCIL OF CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS TO THE COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)
AS OF JUNE 30, 2025
LAST 10 YEARS**

	Fiscal Year-End				
	2020	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	\$ 475,664	\$ 380,467	\$ 340,415	\$ 312,849	\$ 321,597
Contributions in relation to the actuarially determined contributions	<u>782,908</u>	<u>739,073</u>	<u>340,415</u>	<u>312,849</u>	<u>321,597</u>
Contribution deficiency (excess)	<u>\$ (307,244)</u>	<u>\$ (358,606)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,222,001	\$ 2,895,546	\$ 2,901,029	\$ 2,637,806	\$ 2,855,755
Contributions as a percentage of covered payroll	24.30 %	25.52 %	11.73 %	11.86 %	11.26 %

DAIRY COUNCIL OF CALIFORNIA
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

JUNE 30, 2025

MUN CPAs, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Dairy Council of California

We have performed the procedures enumerated below in the *Manual for Performing Agreed Upon Procedures for California Agricultural Marketing Program* as required by the California Department of Food & Agriculture (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009 and amendments effective January 1, 2017, and Dairy Council of California's ("the Council") internal policies and procedures of the Council and the Board of Directors for the year ended June 30, 2025. The Council is responsible for complying with the CDFA's *Accounting Guidelines and General Rules*, effective October 1, 2009 and amendments effective January 1, 2017, and the Council's internal policies and procedures.

Dairy Council of California has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of compliance with the *Manual for Performing Agreed Upon Procedures for California Agricultural Marketing Program*. Additionally, the California Department of Food & Agriculture has agreed that the procedures performed (as specified in the *Manual for Performing Agreed Upon Procedures for California Agricultural Marketing Programs*) are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Review the Council's compliance with the California Department of Food and Agriculture's (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009 and amendments effective January 1, 2017 and the Council's internal policies and procedures, for the following accounts and transactions during the year ended June 30, 2025:
 - a. Accounts 5415, 6400, 6405, and 6605
 - b. Cash receipts
 - c. Employee use of Council - owned vehicles
 - d. Financial transactions between related entities
 - e. Contracts
2. Assess the Council's current internal control structure in relation to the CDFA *Accounting Guidelines and General Rules*, focusing on the following internal control transaction cycles as defined by CDFA:
 - a. General ledger and bank reconciliation oversight
 - b. Safety of property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Documentation for travel, lodging, and meals expenses
 - f. Contracts

We were engaged by Dairy Council of California to perform this agreed-upon procedures engagement and conducted the engagement in accordance with attestation standards established by the American Institute of Certified Public Accounts. We were not engaged to and did not conduct an examination or review engagement, the objective of which could be the expression of an opinion or conclusion, respectively, on the *Manual for Performing Agreed Upon Procedures for California Agricultural Marketing Program*, and the Council's internal policies and procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Dairy Council of California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Detailed results of our procedures and findings are described in Appendix "A" to this report.

This report is intended solely for the information and use of the California Department of Food and Agriculture, the Council's Board of Directors and management of the Council and is not intended to be and should not be used by anyone other than those specified parties.

MUN CPAs, LLP

Sacramento, California
October 31, 2025

APPENDIX "A"
DAIRY COUNCIL OF CALIFORNIA

Details of Procedures Performed:

1. In order to review compliance with California Department of Food & Agriculture (CDFA) Accounting Guidelines and General Rules and the Council's internal policies and procedures for the period of July 1, 2024 - June 30, 2025:
 - a. We selected 40 transactions from general ledger accounts 5415, 6400, 6405 and 6605 for testing.
 - b. We selected 4 months of assessment revenue and corroborated the process for related check deposits during the fiscal year.
 - c. We determined whether the Council was properly reporting employee vehicle use and tax by:
 - i. Ensuring that employees using Council-owned vehicles followed the automobile policy as described in the Council's Operations Manual.
 - ii. Reviewing payroll documents to note reasonableness of any tax payments made.
 - d. We determined whether any inappropriate financial transactions were occurring between the Council and the related entities by:
 - i. Reviewing all financial transactions between the Council and related entities to determine whether they met the requirements under the *CDFA Accounting Guidelines and General Rules*. We then selected transactions for testing, if any.
 - e. No such contracts or transactions were noted.
2. In order to assess the Council's current internal control structure, we identified key controls of each cycle listed below and as described in the *CDFA Accounting Guidelines and General Rules* and compared the key controls to the Council's current internal control procedures as documented in the Council's Accounting Policies and Procedures Manual. We also performed a verification of each key control by selecting a sample item to confirm the process.
 - a. General ledger and bank reconciliation oversight
 - b. Safety of property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Documentation for travel, lodging, & meal expenses
 - f. Contracts

Results of Procedures Performed:

1. Transaction Testing:

a. Accounts 5415, 6400, 6405 and 6605:

Findings:

No findings noted.

b. Cash Receipts:

Findings:

No findings noted.

APPENDIX "A" (CONTINUED)
DAIRY COUNCIL OF CALIFORNIA

c. Employee use of Council - owned vehicles:

Findings:

We noted no findings in relation to vehicle use and payroll tax reporting. We noted they were made in line with the CDFA *Accounting Guidelines and General Rules*.

d. Financial transactions between related entities:

Findings:

No findings noted.

e. Contracts:

Findings:

No findings noted.

2. Internal Control Findings and Recommendations:

a. General ledger and bank reconciliation oversight:

Findings:

No findings noted.

b. Safety of property:

Findings:

No findings noted.

c. Cash receipts:

Findings:

No findings noted.

d. Cash disbursements:

Findings:

No findings noted.

APPENDIX "A" (CONTINUED)
DAIRY COUNCIL OF CALIFORNIA

e. Documentation for travel, lodging and meal expenses:

Findings:

No findings noted.

f. Contracts:

Findings:

No findings noted.

DAIRY COUNCIL OF CALIFORNIA

**MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2025**

**MUN CPAs, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833**



To the Board of Directors and management of
Dairy Council of California

In planning and performing our audit of the financial statements of Dairy Council of California (the "Council") as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over financial reporting (internal control) as a basis for designing our audit procedures 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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 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. 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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Council, and is not intended to be, and should not be, used by anyone other than those specified parties.

MUN CPAs, LLP

MUN CPAs, LLP
Sacramento, California
October 31, 2025

**DAIRY COUNCIL OF CALIFORNIA
SUMMARY OF CURRENT YEAR FINDINGS
AND RECOMMENDATIONS
JUNE 30, 2025**

Sick Leave

During our procedures over sick leave, it was noted that terminated employees can convert their unused sick hours into CalPERS credits. However, this option is not included in the sick leave policy in the employee handbook.

Management should update the sick policy to reflect this benefit upon termination of employment.

Management Response:

DCC's Employee Handbook is currently being drafted to include updates to the sick policy. This updates is expected to be released on January 1, 2026.

Sick Leave

During our procedures over sick leave, it was noted that the Operations Officer is in charge of adding the total unused sick hours of a terminated employee into the CalPERS system. No secondary review of the input was noted.

Management should incorporate an independent secondary review of this input to ensure that the proper number of hours are converted to CalPERS credits upon termination of employment.

Management Response:

A termination checklist is currently in draft and is expected to be released for use on January 1st, 2026. This checklist will include input of unused sick time and a secondary review by either the Accountant or Human Resources Manager.

Payroll Internal Controls

During our procedures over payroll internal controls, it was noted that there is no termination checklist for terminated employees.

Management should implement a termination checklist to ensure proper removal of terminated employees from systems.

Management Response:

A termination checklist is currently in draft and is expected to be released for use on January 1st, 2026.

Assessment and Interest Receivables

During our procedures over assessment and interest receivables, we noted that both balances were not correct as of year-end.

Management should reconcile these balances as part of the year-end closing process to ensure receivables and revenue are properly stated at year-end.

Management Response:

A process will be put in place to ensure reconciliation of assessment and interest receivables on a monthly basis as part of routine month-end reporting.

Capital Assets

During our procedures over disposals of capital assets, out of 19 disposals tested, we identified 1 disposal which had been accounted for as a loss on disposal. However our testing identified an incorrect accumulated depreciation amount was used to calculate the gain or loss. The asset was found to be fully depreciated and the sale should have resulted in a gain to the Council.

Management should ensure that journal entries are reviewed for accuracy prior to posting in the accounting system.

Management Response:

Review of journal entries will be added to the DCC Fixed Asset/Transfer Disposal Form.



October 31, 2025

To the Board of Directors
Dairy Council of California
Sacramento, California

We have audited the financial statements of Dairy Council of California (the "Council") for the year ended June 30, 2025, and we will issue our report thereon dated October 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 4, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Council are described in Note 1 to the financial statements. During the year ended June 30, 2025, the Council adopted Governmental Accounting Standards Board (GASB) Standard No. 101. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Depreciation of Capital Assets and Assigned Useful Lives

Management's estimate of the expected useful lives of capital assets impacts the computation of the depreciation expense for the year. We evaluated estimated useful lives of the capital assets for reasonableness and consistency. The resulting expense computations were reviewed for accuracy and completeness in relation to the financial statements taken as a whole.

Net Pension Liability

Management's estimate of the Council's net pension liability is based on actuarially determined information. We evaluated key factors and assumptions used to develop the estimate in determining that they are appropriate and without improper bias in relation to the financial statements taken as a whole.

Lease Assets and Liabilities

Management's estimate of the lease right-to-use assets and related lease liabilities are based on the estimated term of each lease, estimated monthly lease payments, and the discount rate. We evaluated the key factors and assumptions used by management to develop these estimates and determined they are appropriate in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attachment A summarizes material misstatements detected as a result of audit procedures and were corrected by management. There were no uncorrected misstatements identified during our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, Schedule of the Council's Proportionate Share of the Net Pension Liability, and the Schedule of Contributions to the Cost-Sharing Defined Benefit Pension Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Dairy Council of California and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MUN CPAs, LLP

MUN CPAs, LLP

**DAIRY COUNCIL OF CALIFORNIA
SUMMARY OF AUDIT ADJUSTMENTS
JUNE 30, 2025**

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expenses
<u>Current Year Differences</u>					
To adjust beginning net assets	\$ -	\$ -	\$ (1)	\$ 1	\$ -
To clear inventory balance	(160,475)	-	-	-	160,475
To record GASB 68 pension liability adjustments	(682,382)	(311,226)	-	-	371,156
To correct accrued interest receivable	(32,072)	-	-	(32,072)	-
To adjust assessment receivables	(113,637)	-	-	(113,637)	-
To record GASB 87 lease activity	687,111	693,406	-	-	6,295
To adjust capital assets	(4,807)	-	-	-	4,807
To correct capital asset disposal	12,000	-	-	12,000	-
Total Income Statement Effect			\$ (676,441)	<u>\$ (133,708)</u>	<u>\$ 542,733</u>
Balance Sheet Effect	<u>\$ (294,262)</u>	<u>\$ 382,180</u>	<u>\$ (676,442)</u>		