



Financial Statements
June 30, 2024

South Dakota Soybean Research and Promotion Council

South Dakota Soybean Research and Promotion Council

Table of Contents

June 30, 2024

Independent Auditor’s Report	1
Financial Statements	
Balance Sheet	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	5
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17
Schedule of Prior Audit Findings	19
Other Information	
Council Officials - Unaudited	20
Contracts in Progress Schedule - Unaudited	21



Independent Auditor's Report

The Board of Directors
South Dakota Soybean Research and Promotion Council
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of South Dakota Soybean Research and Promotion Council (the Council), a special revenue fund of the State of South Dakota and the aggregate remaining fund information as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Council and the aggregate remaining fund information of the Council, as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council 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 opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota as of June 30, 2024, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council'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.

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Listing of Council Officials on page 20 and the Contracts in Progress Schedule shown on pages 21 to 24, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on them. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Other Reporting Required by United Soybean Board (USB)

In connection with our audit, nothing came to our attention that caused us to believe that the Council failed to comply with the terms, insofar as they relate to the accounting matters of the Soybean Promotion, Research and Consumer Information Act of 1990 (the Act) and the Soybean Promotion and Research Order (the Order) relative to the use of funds collected by the State Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the State Board.

In connection with our audit, nothing came to our attention that caused us to believe the Council failed to comply with terms insofar as they relate to the accounting matters of the Act and the Order relative to the investment of funds collected by the State Board and with provisions of Section 1220.211(j). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance in the use and investment of funds.

The reporting required by United Soybean Board is intended solely for the information and use of the Directors and management of the Qualified State Soybean Board, the USB, the State of South Dakota, and the United States Department of Agriculture, and is not intended to be and should not be used by anyone other than these specified parties.



Sioux Falls, South Dakota
November 25, 2024

South Dakota Soybean Research and Promotion Council

Balance Sheet

June 30, 2024

Assets

Cash in checking	\$ 194,000
Investment in State Treasury Cash Management Pool	10,452,280
Appropriations receivable	758,835
Other accounts receivable	38,718
Interest receivable	62,402
Prepaid items	24,562
Equity interest in joint venture	181,378

\$ 11,712,175

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 1,237,974
Accrued salaries and benefits	43,582

1,281,556

Fund Balance

Restricted fund balance	10,430,619
-------------------------	------------

\$ 11,712,175

South Dakota Soybean Research and Promotion Council
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Grants			
United Soybean Board appropriations	\$ 6,562,500	\$ 6,772,269	\$ 209,769
United Soybean Board O & B	-	18,360	18,360
Total grants	<u>6,562,500</u>	<u>6,790,629</u>	<u>228,129</u>
Other			
Investment return - SD Investment Council	-	547,280	547,280
Miscellaneous	-	2,175	2,175
Total other	<u>-</u>	<u>549,455</u>	<u>549,455</u>
Total revenues	<u>6,562,500</u>	<u>7,340,084</u>	<u>777,584</u>
Expenditures			
Programs			
Promotion	4,313,666	4,033,325	280,341
Research	1,160,512	1,206,141	(45,629)
Consumer information	880,716	959,501	(78,785)
Producer communications	1,712,364	1,118,380	593,984
Total programs	<u>8,067,258</u>	<u>7,317,347</u>	<u>749,911</u>
Administration			
Program operations	417,502	377,011	40,491
Equipment	36,700	9,714	26,986
Total administration	<u>454,202</u>	<u>386,725</u>	<u>67,477</u>
Total expenditures	<u>8,521,460</u>	<u>7,704,072</u>	<u>817,388</u>
Revenues (Less Than) in Excess of Expenditures	<u>(1,958,960)</u>	<u>(363,988)</u>	<u>1,594,972</u>
Fund Balance, Beginning of Year, As Previously Reported	<u>9,951,634</u>	<u>10,794,607</u>	<u>(842,973)</u>
Fund Balance, End of Year	<u>\$ 7,992,674</u>	<u>\$ 10,430,619</u>	<u>\$ 751,999</u>

South Dakota Soybean Research and Promotion Council

Statement of Fiduciary Net Position

June 30, 2024

	<u>United Soybean Board's Custodial Fund</u>
Assets	
Investment in State Treasury Cash Management Pool	\$ 389,114
Assessment receivable	<u>1,603,424</u>
Total assets	<u><u>\$ 1,992,538</u></u>
Liabilities and net position	
Liabilities	
Accounts payable	<u>\$ 1,992,538</u>
Net Position	
Restricted other organizations	<u>-</u>
	<u><u>\$ 1,992,538</u></u>

South Dakota Soybean Research and Promotion Council
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	<u>United Soybean Board's Custodial Fund</u>
Additions	
Assessment revenue	
First purchasers	\$ 12,844,382
Other QSSBs	1,148,225
Collected from late fees	<u>762</u>
Total additions	<u>13,993,369</u>
Deductions	
Distributions to United Soybean Board	6,771,506
Distributions to SD Soybean Council	6,772,269
Distributions to other QSSB's	<u>449,594</u>
Total deductions	<u>13,993,369</u>
Net Increase (Decrease) In Fiduciary Net Position	-
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ -</u></u>

Note 1 - Summary of Significant Accounting Policies

The financial statements of the South Dakota Soybean Research and Promotion Council (the Council) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Council's significant accounting policies are described below.

Reporting Entity

The Council is certified as a Qualified State Soybean Board (QSSB) as defined in section 1220.228 of the Soybean Promotion and Research Order in the Federal Register (volume 56, 131) and is a state agency established under and governed by the laws of the State of South Dakota (the State). The Council administers programs and activities that are subject to the 1990 Federal legislation titled Soybean Promotion, Research and Consumer Information Act (the Act). The Act was effective September 1, 1991. The Council is exempt from state and federal income taxes.

The financial statements present only the Council and do not purport to, and do not, present fairly the financial position of the State of South Dakota, as of June 30, 2024, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Council's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented.

Governmental Fund Type

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Soybean Check-Off Fund is a special revenue fund of the State maintained for the collection and disbursement of soybean check-off appropriations. The State has granted the Council the authority to administer assets held in the Soybean Check-off Fund.

Fiduciary Fund Type

The *custodial fund* account for monies held for the United Soybean Board, a not-for-profit agency, to which the Council provides collection and remittance services for. These assets are not held in trust.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting, except for compensated absences and claims and judgments, which are generally recorded when payment is due based on specific accounting rules applicable to each.

Cash and Cash Equivalents

Cash and investments include cash on hand, demand deposits and a participating interest in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value.

Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the SDIC's audit report which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501. Funds on deposit with the State Treasury are invested by the State Investment Officer pursuant to SDCL 4-5-23 with the Council getting its proportionate share of interest income under SDCL 4-5-30. The Council did not have privately held investments as June 30, 2024.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Council does not have a deposit policy for custodial credit risk. The bank balance of cash in bank at June 30, 2024 was \$363,129. From time-to-time the balance may exceed the federal depository insurance limit of \$250,000; in which case the remainder above the limit is insured by pledged collateral.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Leases

Under the *economic resources measurement focus* and accrual basis of accounting, a lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The Council's leases in effect for the year ended June 30, 2024 have been determined to be short-term leases.

Note 2 - Description of Financial Activity**Equity Interest in Joint Venture**

The Council records its interest in the joint venture under the equity method based on their ownership percentage of the respective overall entity.

Fund Balance

Restricted fund balance represents revenues that are externally restricted or revenues that have restrictions imposed upon them, limited to the requirements of the Act.

The titles and description for significant accounts that are used by the Council are as follows:

Revenues

United Soybean Board Appropriations – under the Soybean Promotion, Research and Consumer Information Act of 1990, the United Soybean Board apportions checkoff dollars back to Qualified State Soybean Boards to fund the approved activities in their respective states to expand the market for soybean products.

Expenditures

Promotion – any action, including ads, technical assistance, or trade serving to enhance the desirability of soybeans in international and domestic markets.

Research – any type of study to advance the image, desirability, marketability, production, product development, quality, functional, or nutritional value of soybeans.

Consumer information – information that will assist consumers in making purchase decisions about buying and using soybeans and soybean products.

Producer communications – reporting to soybean producers of the Council's activities and an accounting for funds received and expended.

Program operations – expenditures associated with the cost to conduct the activities of the Council and the Council’s Board of Directors and expenses directly related to the activities conducted by the South Dakota Department of Agriculture for concentrated management services of fee collection, fiscal and personnel services, and data processing services.

Note 3 - Check-Off Fees

Pursuant to the Act, an assessment of one-half of one percent of the net market price of soybeans grown in the State or sold to a first purchaser in the State is deducted from the purchase price of the soybeans by the first purchaser and remitted to the fiduciary fund within 30 days of the end of each calendar quarter. One half of the collected assessments must be remitted to the United Soybean Board (USB) by the last day of the month following the quarter in which the assessment was remitted to the fiduciary fund. The Council is permitted to retain the remaining half as an appropriation from United Soybean Board. The fiduciary fund has an assessment receivable of \$1,603,424 as of June 30, 2024. Of this amount, \$85,754 is being collected for other QSSBs, and \$758,835 is recorded as a receivable in the Council’s special revenue fund.

Note 4 - Related Party

South Dakota Soybean Association

The Council contracts on a yearly basis with the South Dakota Soybean Association (the Association) to carry out programs designed to benefit the soybean industry. These programs include providing promotional, consumer, producer, and industry information to various entities and organizations worldwide. Additionally, the Council contracts on a yearly basis with the Association to share employees including the Executive Director, office space, and certain overhead expenses.

For the year ended June 30, 2024, the total costs paid by the Council to the Association were \$504,858, and the total costs paid by the Association to the Council were \$200.

The Council had outstanding accounts payable to the Association of \$28,695 and an outstanding accounts receivable of \$12,530 from the Association as of June 30, 2024.

South Dakota State University (SDSU)

South Dakota State University (SDSU) is a university governed by the Board of Regents (Higher Education), which is a discretely presented component unit to the State of South Dakota. For the year ended June 30, 2024, SDSU has incurred expenses in the amount of \$478,119 research projects, which are reimbursable by the Council. As of June 30, 2024, accounts payable to SDSU totaled \$206,877.

South Dakota Soybean Research and Promotion Council

Notes to Financial Statements

June 30, 2024

Other

The Council had outstanding accounts payable to various board directors of \$12,748 and to various employees of \$9,092 for stipends and expense reimbursements in the normal course of business as of June 30, 2024. The Council had outstanding accounts receivable from a board member and South Dakota Corn Utilization Council of \$10,392 in the normal course of business as of June 30, 2024.

Note 5 - Equity Interest in Joint Venture

The Council has a 33.33% ownership with the MN Soybean Research and Promotion Council and the North Dakota Soybean Council as equal members in Northern Soy Marketing, LLC. Northern Soy Marketing, LLC was formed solely for the purpose of promoting the interests of its Members, including, but not limited to, encouraging the soybean marketplace to recognize essential amino acids, rather than crude protein, as the most complete and best indicator of soybean quality and feeding value. During 2024, each Council provided funds in the amount of \$150,000 to Northern Soy Marketing, LLC, for projects. There was \$207,927 accumulative deficit at June 30, 2024. The Council had a balance of \$181,378 related to its equity interest in Northern Soy Marketing, LLC for the year ended June 30, 2024.

Northern Soy Marketing, LLC issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the South Dakota Soybean Research and Promotion Council, Attn: Northern Soy Marketing, LLC, 5000 S. Broadband LN #100, Sioux Falls, SD 57108 or by calling (605) 330-9942.

Note 6 - Statement of Expenses – Budget and Actual (Budgetary Basis)

The Council provides an informational budget to the State approximately two years in advance of the start of the fiscal year. The results of actual operations compared to the informational budget for the year ending June 30, 2024, are as follows:

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Contractual services	\$ 7,450,561	\$ 7,025,912	\$ 424,649
Employee salaries and benefits	826,555	678,160	148,395
Total expenditures	<u>\$ 8,277,116</u>	<u>\$ 7,704,072</u>	<u>\$ 573,044</u>

Prior to the start of the fiscal year, the Council reviews the informational budget and makes changes as needed based on the current operational environment. The updated budget is approved by the Board and submitted to the USB and the United States Department of Agriculture's Agriculture Marketing Service. The budget shown on the statement of revenues, expenditures, and changes in fund balance – budget and actual in the accompanying financial statements differs from the informational budget shown above as it reflects the changes made to the informational budget prior to the start of the fiscal year.

Note 7 - Short-Term Leases

The Council has entered into short-term leases for office space and office equipment. Under the office space lease arrangements, the Council pays all utilities and its share of the property taxes, insurance, maintenance and expenses related to the leased property. Short-term lease expense for the year ended June 30, 2024, was \$78,642.

Note 8 - Risk Management

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council is covered by the State of South Dakota's insurance for all significant risks of loss. Settled claims resulting from these risks have not exceeded State's insurance coverage in any of the past three years.

Note 9 - Future Commitments

The Council has committed approximately \$5,900,000 in funding for projects to be completed during fiscal year 2025. These projects relate to soybean research, promotion, and other various activities aimed at enhancing consumer and producer awareness of soybeans and soybean related issues. As of June 30, 2024, the entire amounts of these commitments remain outstanding.

Note 10 - Retirement Plan

The Council participates in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer defined benefit pension plan established to provide retirement, disability, and survivor benefits for employees of the State and its political subdivisions. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Employees are required by state statute to contribute six percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. The right to receive retirement benefits vests after three years of credited service. The Council's contributions to the SDRS for the years ended June 30, 2024, 2023, and 2022 were \$30,958, \$23,936, and \$20,850, respectively, equal to the required contributions for each year.

Note 11 - Accumulated Unpaid Vacation and Sick Leave

Annual leave is earned on a bimonthly basis by employees at a rate based on their years of service. Upon termination employees are entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at the rate of approximately 4.67 hours per bimonthly payroll period. Employees who have been continuously employed by the State for at least seven years prior to the date of their retirement, voluntary resignation, or death will receive payment equal to one-fourth of their accumulated unused sick leave, not to exceed 480 hours.

As of June 30, 2024, balances for accrued vacation and sick leave were \$29,872 and \$35,657, respectively. These liabilities are not reflected in the accompanying financial statements, as they are not expected to be liquidated with expendable available financial resources.

Note 12 - Subsequent Events

In August of 2024, the lease for office space was renewed for 3 years set to expire on June 30, 2027. Under the office space lease arrangements, the Council pays all utilities and its share of the property taxes, insurance, maintenance and expenses related to the leased property. Base rent payments are to be made in monthly installments of \$4,315 set to increase by 3% annually.

The Council has evaluated subsequent events through November 25, 2024, the date which the financial statements were available to be issued.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Board of Directors
South Dakota Soybean Research and Promotion Council
Sioux Falls, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) the financial statements of the South Dakota Soybean Research and Promotion Council (the Council), special revenue fund of the State of South Dakota and the aggregate remaining fund information, as of and for the year ended June 30, 2024, the related notes to the financial statements, and have issued our report there on dated November 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Council’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as item 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Council's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Council's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Council's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
November 25, 2024

**Finding 2024-001 Preparation of Financial Statements with Material Audit Adjustments
Material Weakness**

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition: We were requested as auditors to draft the financial statements and accompanying notes to the financial statements. As auditors, we proposed various closing entries including adjusting the investment in state treasury cash management pool and the equity interest in joint venture. These proposed adjustments may not have been identified as a result of the Council's existing internal controls.

Cause: The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect: This deficiency results in a reasonable possibility that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are correct without the assistance of the auditors. As auditors, we proposed adjustments in an amount that may not have been identified as a result of the Council's existing internal controls.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council, as well as changes in these requirements.

Views of Responsible Officials and Corrective Action Plan: We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.

**Finding Number 2024-002 Segregation of Duties
Material Weakness**

Criteria: An effective system of internal controls depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition: The Council had turnover of an office personnel, which prevented an ideal segregation of duties for controls over financial reporting. The oversight and review process by management for various account reconciliations is not formally documented.

Cause: Management oversight is done on an informal basis.

Effect: The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

Recommendation: Management and the Board should continually be aware of the financial accounting and reporting requirements of the Council. Under this situation, the most effective control is the board's oversight and knowledge of matters relating to the operations of the Council.

Views of Responsible Officials and Management's Corrective Action Plan: The Board of Directors performed various oversight roles throughout the year but is aware of the risk relating to the limited staff performing the daily activities and is in the process of reviewing internal controls.

Finding 2023-001 Preparation of Financial Statements
Significant Deficiency

Condition: The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. We were also requested to draft the financial statements and accompanying notes to the financial statements.

Status: We were again requested to draft the financial statements and accompanying notes to the financial statements. See Finding 2024-001.



Other Information
June 30, 2024

South Dakota Soybean Research and Promotion Council

South Dakota Soybean Research and Promotion Council Board – FY24

David Struck, Chairman
Dave Iverson, Vice Chairman
Todd Hanten, Treasurer
Heather Beaner, Secretary
Bruce Haines, Director
Derrick Scott, Director
Dawn Scheier, Director
Michael McCranie, Director
John Horter, Director

South Dakota Soybean Research and Promotion Council Executive Director:

Jerry Schmitz, Executive Director

United Soybean Board Directors:

Michael McCranie
Dawn Sheier
Todd Hanten
Tim Ostrem

South Dakota Soybean Research and Promotion Council

Contracts in Progress Schedule - Unaudited

June 30, 2024

<u>FY 2025 - Project Description</u>	<u>Budgeted</u>	<u>Paid as of June 30, 2024</u>	<u>Remaining Balance June 30, 2024</u>
NCSRP - North Central Soybean Research Program (NCSRP) Annual Funding	\$ 225,000	\$ -	\$ 225,000
SDSU - Achieving 100 bu/a Soybeans - Dr. David Clay	160,714	-	160,714
SDSU - Increasing Data for Pesticide Application - Dr. Edwards	31,166	-	31,166
SDSU - SCN Diagnostics and Testing - Dr. Shires	64,055	-	64,055
SDSU - Evaluation/Management of Dectes Stem Borer in Southeastern SD - Dr. Varenhorst	49,960	-	49,960
SDSU - Addressing Problem of White Mold in SD - Dr. Solanki	48,746	-	48,746
SDSU - Enhancing Markets and Adding Value to Soybeans: Can Extruded Soybeans Add Fat to Cattle Diets - Smith	116,363	-	116,363
SDSU - Implementation of a Drought Stress Mitigation Strategy in South Dakota Soybean Plants for Higher Yield and Better Grain Quality - Sher	42,797	-	42,797
SDSU - Detection of Fusarium virguliforme-borne Sudden Death Syndrome Disease in Soybean - Yadav	48,475	-	48,475
SDSU - Assessment of Mid-Late Season Foliar Diseases of Soybeans - Solanki	15,930	-	15,930
SDSU - Improving Weed Control in Soybean with Demonstration and Research Using Chemical and Non-Chemical Control Tactics - Jones	47,250	-	47,250
SDSU - Soybean Production with Strip-Tillage - Kovacs	35,000	-	35,000
SDSU - FY24 Extension - Continued Deployment of Biofumigant and Soybean Symbiotic Analysis - Dr. Gu	41,281	-	41,281
Pioneer BioTech - Development of a Bioadjuvant for Improved White Mold Treatment Efficacy - Cole	45,000	-	45,000
U.S. Soybean Research Collaborative	25,000	-	25,000
POET BioProducts Center (75% Research/25% Domestic Investment Channel)	375,000	-	375,000
CFAA - Environmental Analysis #7	50,000	-	50,000
CFAA - State Market & Environmental Support #1	100,000	-	100,000
CFAA - Industry Coordination and Prioritization #2	100,000	-	100,000
CFAA - Industry Communications #3	100,000	-	100,000
CFAA - Global Market Communications #4	50,000	-	50,000
CFAA - Environmental Awareness #5	50,000	-	50,000
CFAA - Economics & Market Analytics #6	50,000	-	50,000
CFAA Membership Dues	10,000	-	10,000

South Dakota Soybean Research and Promotion Council

Contracts in Progress Schedule - Unaudited

June 30, 2024

	<u>Budgeted</u>	<u>Paid as of June 30, 2024</u>	<u>Remaining Balance June 30, 2024</u>
NCI - Biofuels Industry Tour	\$ 5,000	\$ -	\$ 5,000
Biofuel Committee - Biodiesel Reimbursement Program	350,000	-	350,000
MEGCorp - Regional Petroleum Outreach Education	72,850	-	72,850
MEGCorp - Biodiesel Reimbursement (Fleet Incentive Municipalities Project)	30,000	-	30,000
MEG Corp - Clean Fuels Conference SFY	41,800	-	41,800
SDSA Request (Biodiesel Specific)	17,500	-	17,500
USSEC - Sponsorship - Support for Global Soy Conference - Soy Connex - August 2025	35,000	-	35,000
USSEC - Soy Excellence Center Program Support	125,000	-	125,000
USSEC - U.S. Soy Sustainability Advantage in SE Asia	50,000	-	50,000
USSEC - SE Asia Protein Pull Campaign	25,000	-	25,000
USSEC - Foundational Support of SECs	15,000	-	15,000
USSEC - U.S. Soy Advantage in South Asia	100,000	-	100,000
USSEC - Membership Dues	10,000	-	10,000
SSGA Membership	2,000	-	2,000
SSGA - U.S. Identity Preserved Assurance Protocol	10,000	-	10,000
SSGA - Event Sponsorship Program (Includes Transportation Go! Conference)	17,500	-	17,500
SSGA - Agronomy Action Team Program	15,000	-	15,000
NCI - INTSOY Short Course	10,000	-	10,000
NCI - Soybean & SBM Procurement Course	10,000	-	10,000
NCI - Soybean Food Grade Procurement Course	10,000	-	10,000
NCI - Market Update Webinar	5,000	-	5,000
South Dakota Trade - Trade Mission	20,000	-	20,000
South Dakota Trade - FY25 Membership	15,000	-	15,000
South Dakota Trade - Midwest Ag Export - 2025 Summit	7,500	-	7,500
GOED - Rail Study for Container Shipping	20,000	-	20,000
SD Soybean Processors - Export Speciality Soybean Meal - Asia Soy Sauce	30,000	-	30,000
Northern Soy Marketing - FY25 Membership	150,000	-	150,000
SDSU Institute of Global Agricultural Sustainability & Leadership (Split with 50% Domestic Investment Channel & and 50% IM Investment Channel)	225,000	-	225,000
VAADC - Stengthening SD Soybean Producers through Value Added Opportunities	5,000	-	5,000
USMEF - U.S. Pork Promotion Partnership	645,000	-	645,000
USMEF - FY25 Membership	8,600	-	8,600
SAA - Program Funding	75,000	-	75,000
SAA - FY25 Membership	25,000	-	25,000

South Dakota Soybean Research and Promotion Council

Contracts in Progress Schedule - Unaudited

June 30, 2024

	<u>Budgeted</u>	<u>Paid as of June 30, 2024</u>	<u>Remaining Balance June 30, 2024</u>
Ag United - Today's Ag Awareness Campaign	\$ 80,000	\$ -	\$ 80,000
USAPEEC - Expanding US Poultry and Egg Exports to India	40,000	-	40,000
USAPEEC - Expanding US Poultry and Egg Exports to Peru	50,000	-	50,000
USAPEEC - Expanding US Poultry and Egg Exports to the Middle East	50,000	-	50,000
USAPEEC - Expanding US Poultry and Egg Exports to Vietnam	35,800	-	35,800
USAPEEC - Promoting US Poultry and Eggs in The Gambia	50,000	-	50,000
USAPEEC - Trade Regulations Database	34,200	-	34,200
USAPEEC - SIAL Paris	45,000	-	45,000
USAPEEC - FY25 Membership	7,000	-	7,000
High Plains Processing - Expanding Markets for SD Growers	235,000	-	235,000
High Plains Processing - HPP & SDSRPC Road Sign	100,000	-	100,000
NewFields Ag - DUST - Promotional Handout	22,860	-	22,860
Domestic Committee - Firefighting SoyFoam	15,000	-	15,000
Domestic Committee - Ag Development	50,000	-	50,000
SDSU Institute of Global Agricultural Sustainability & Leadership (Split with 50% Domestic Investment Channel & and 50% IM Investment Channel)	225,000	-	225,000
POET BioProducts Center (75% Research/25% Domestic Investment Channel)	125,000	-	125,000
SD Soybean - Yield Contest	127,500	-	127,500
SD Soybean - Soy100	33,550	-	33,550
SDARL - Seminar Series Support	16,000	-	16,000
SDARL - Genesis Program	39,000	-	39,000
Groundworks Connect - SAG Science in Agriculture - Plant & Animal Connection	15,000	-	15,000
SDSU - Student Travel to 2025 Commodity Classic	20,000	-	20,000
ASA - Action Partnership	6,000	-	6,000
ASA - Awards Celebration	6,000	-	6,000
ASA - 2025 Economic Analysis and Support	5,000	-	5,000
ASA - Innovation to Market (I2M) Work Group	7,500	-	7,500
ASA - Young Leader Program	9,200	-	9,200
Mitchell Technical College Sponsorship	5,000	-	5,000
Pipestone - Discovery Barn Informational Signs at the Sioux Empire Fair	800	-	800
SD Farmers Union - SD Farmers Union Ag Expo	10,000	-	10,000
Stockyards Ag Experience - The Harvest Night - Dinner Sponsor	7,500	-	7,500
Feeding SD - Pork Loin for Mobile Distribution	40,000	-	40,000

South Dakota Soybean Research and Promotion Council

Contracts in Progress Schedule - Unaudited

June 30, 2024

	Budgeted	Paid as of June 30, 2024	Remaining Balance June 30, 2024
USFRA - Amplifying Leadership & Voice and Leveraging Resources Partnership	\$ 25,000	\$ -	\$ 25,000
SD Soybean Leader	320,000	-	320,000
	\$ 5,922,397	\$ -	\$ 5,922,397