

FINANCIAL STATEMENTS

Dairy Management Inc.
Years Ended December 31, 2021 and 2020
With Reports of Independent Auditors

Ernst & Young LLP



Dairy Management Inc.

Financial Statements

Years Ended December 31, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
Dairy Management Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dairy Management Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dairy Management Inc. at December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Dairy Management Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Management Inc.’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 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.

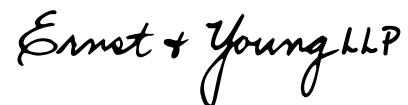
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- 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 Dairy Management Inc.'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 Management Inc.'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 10, 2022, on our consideration of Dairy Management Inc.'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 Dairy Management Inc.'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 Dairy Management Inc.'s internal control over financial reporting and compliance.



May 10, 2022



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Report of Independent Auditors 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*

Management and the Board of Directors
Dairy Management Inc.

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 Dairy Management Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Dairy Management Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dairy Management Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Dairy Management Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dairy Management Inc.'s financial statements are free of 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*.

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.

Ernst + Young LLP

May 10, 2022

Dairy Management Inc.
Statements of Financial Position

	December 31	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 975,550	\$ 217,873
Accounts receivable, net of allowance for doubtful accounts of \$25,000 in 2021 and 2020	676,425	381,348
Amounts due from related parties:		
National Dairy Promotion and Research Board	7,600,207	7,754,269
U.S. Dairy Export Council	264,362	412,550
United Dairy Industry Association	2,603,403	2,599,835
GENYOUth Foundation	71,310	63,317
Dairy Research Institute	–	37,915
Notes receivable, current portion	–	124,174
Prepaid expenses	821,147	811,824
Total current assets	13,012,404	12,403,105
Other assets	60,903	60,774
Fixed assets, net of accumulated depreciation of \$2,927,538 in 2021 and \$2,408,985 in 2020	1,402,178	1,818,053
Total assets	\$ 14,475,485	\$ 14,281,932
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 6,933,314	\$ 10,197,969
Accrued liabilities	4,113,824	2,415,521
Deferred rent, current portion	243,527	211,891
Amounts due to related parties:		
U.S. Dairy Export Council	961,614	–
Dairy Research Institute	468,368	–
Innovation Center for U.S. Dairy	269,266	34,818
Note payable, current portion	–	124,174
Other liabilities	14,788	23,537
Total current liabilities	13,004,701	13,007,910
Noncurrent liabilities:		
Deferred rent, less current portion	1,030,495	1,274,022
Other liabilities, less current portion	440,289	–
Total noncurrent liabilities	1,470,784	1,274,022
Net assets without donor restrictions	–	–
Total liabilities and net assets	\$ 14,475,485	\$ 14,281,932

See accompanying notes.

Dairy Management Inc.

Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2021	2020
Revenues		
Program	\$ 106,086,182	\$ 116,050,768
Core	41,755,034	38,736,491
Contract services	6,508,293	6,777,652
Total revenues	154,349,509	161,564,911
Expenses		
Programs:		
Domestic marketing	128,380,273	133,580,077
Export	15,486,232	17,254,385
Contract services	6,508,293	6,777,652
Total programs	150,374,798	157,612,114
General and administrative	3,974,711	3,952,797
Total expenses	154,349,509	161,564,911
Change in net assets without donor restrictions	-	-
Net assets without donor restrictions, beginning of year	-	-
Net assets without donor restrictions, end of year	\$ -	\$ -

See accompanying notes.

Dairy Management Inc.

Statements of Cash Flows

	Year Ended December 31	
	2021	2020
Operating activities		
Change in net assets	\$ —	\$ —
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	521,151	394,790
Changes in assets and liabilities:		
Accounts receivable, net	(295,077)	418,281
Amounts due from/due to related parties	1,993,034	(558,571)
Prepaid expenses and other assets	(9,452)	245,989
Accounts payable	(3,264,655)	1,554,491
Accrued liabilities	1,698,303	(714,478)
Deferred rent	(211,891)	(120,116)
Other liabilities	431,540	(9,428)
Net cash provided by operating activities	<u>862,953</u>	1,210,958
Investing activities		
Notes receivable	124,174	585,254
Purchases of fixed assets	(105,276)	(1,082,822)
Net cash provided by (used in) investing activities	<u>18,898</u>	(497,568)
Financing activities		
Payments on note payable	(124,174)	(585,254)
Net increase in cash and cash equivalents	757,677	128,136
Cash and cash equivalents, beginning of year	217,873	89,737
Cash and cash equivalents, end of year	<u>\$ 975,550</u>	<u>\$ 217,873</u>

See accompanying notes.

Dairy Management Inc.

Notes to Financial Statements

December 31, 2021 and 2020

1. Organization

Dairy Management Inc. (DMI) was incorporated on January 1, 1995, as a joint venture between National Dairy Promotion and Research Board (NDB) and United Dairy Industry Association (UDIA). The purpose of DMI is to promote greater coordination, efficiency, and effectiveness and avoid incompatibility and duplication in the marketing programs and projects undertaken by NDB and UDIA. NDB and UDIA jointly plan, develop, and implement their various marketing programs and activities through DMI, subject to the oversight guidelines of the Agricultural Marketing Service of United States Department of Agriculture (USDA). The collective programs and activities are called the Unified Marketing Plan (UMP).

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). These principles require management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include checking and interest-bearing demand deposit accounts with financial institutions. DMI considers investments with an original maturity of 90 days or less to be cash equivalents.

DMI has cash balances at a financial institution that exceed federal depository insurance limits. Pursuant to guidelines published by USDA's Agricultural Marketing Service, DMI's cash balances are reviewed daily by the financial institution in which the balances are held and are fully collateralized in U.S. Treasury securities at the Federal Reserve Bank of St. Louis.

Dairy Management Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net Assets

DMI follows the reporting requirements of GAAP, which require that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions. DMI has no net assets without donor restrictions at December 31, 2021 or 2020.
- *With donor restrictions* – Net assets subject to donor-imposed restrictions that will be met either by actions of DMI or the passage of time. DMI has no net assets with donor restrictions at December 31, 2021 or 2020.

Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, amounts due from/to related parties, prepaid expenses, accounts payable, accrued liabilities, current portion of deferred rent, and other liabilities are reasonable estimates of fair value due to the short-term nature of these financial instruments. In addition, the carrying values of the notes receivable, other assets, noncurrent portion of deferred rent, and noncurrent portion of other liabilities approximate fair value.

Accounts Receivable

Accounts receivable, which consist of amounts due from UDIA state and regional members for expenses incurred in connection with program activities and from entities to which DMI provides management services, totaled \$676,425 and \$381,348 as of December 31, 2021 and 2020, respectively.

Notes Receivable

Notes receivable are stated at their unpaid principal balances. Management considers a loan impaired when, based on current information (such as payment history, value of collateral, and assessment of the borrower's creditworthiness), it is probable that the principal and interest payments will not be collected according to the loan agreement.

Dairy Management Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fixed Assets

Fixed assets consist of computer equipment, software, furniture, equipment, and leasehold improvements and are recorded at historical cost. Depreciation and amortization are provided in amounts sufficient to charge the cost of the depreciable assets to operations over the assets' estimated service lives of 3 to 15 years using the straight-line method.

Revenue Recognition

In accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, contributions are evaluated to determine whether the contribution is conditional or unconditional. If the contribution is conditional, recognition is deferred until the conditions are met. If the contribution is unconditional, recognition occurs in the period the pledge is made. Program and core revenue are conditional and are recognized based on when expenses are incurred.

Contract services revenue and the corresponding expense are recognized when the accounting and management services are provided under various contracts.

Deferred Rent

DMI records office lease rent expense on a straight-line basis; the lease contains fixed annual rental increases. Deferred rent represents the extent to which rent expense, under this methodology, has exceeded payments made under the leases since inception. Deferred rent totaled \$1,274,022 and \$1,485,913 as of December 31, 2021 and 2020, respectively.

Income Taxes

DMI has received a determination letter from the Internal Revenue Service indicating that it is exempt from federal and state income taxes on related income under Section 501(c)(6) of the Internal Revenue Code. However, DMI is subject to taxes on unrelated business income. DMI had no material unrelated business income in 2021 or 2020.

Dairy Management Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncement

Accounting Pronouncement Not Yet Adopted

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases*, which is now included, along with other relevant ASUs, into Accounting Standards Codification 842, *Leases*. The new standard requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the statements of financial position and expanded qualitative and quantitative disclosures. The new standard was effective for DMI beginning January 1, 2022, and was applied using the modified retrospective approach. The new standard resulted in DMI recording right-of-use assets and lease liabilities on the statement of financial position on January 1, 2022, and did not materially impact the statement of operations and changes in net assets.

3. Related Party Transactions

DMI is funded by NDB and UDIA on a cost-reimbursement basis. Marketing program costs include costs attributable to implementing DMI's programs, which are based on the annual UMP budget. Core costs include staff salaries and benefits, travel, board of directors' expenses, and office operating expenses. These costs are funded primarily by NDB, with UDIA funding one-half of the costs of the DMI chief executive office and the board of directors' expenses.

NDB funded DMI program and core costs as follows:

	<u>2021</u>	<u>2020</u>
Program costs	\$ 69,960,874	\$ 79,927,401
Core costs	40,913,012	37,850,789
	<u>\$ 110,873,886</u>	<u>\$ 117,778,190</u>

Dairy Management Inc.

Notes to Financial Statements (continued)

3. Related Party Transactions (continued)

UDIA funded DMI program and core costs as follows:

	2021	2020
Program costs	\$ 36,125,308	\$ 36,123,367
Core costs	842,022	885,702
	\$ 36,967,330	\$ 37,009,069

At December 31, 2021 and 2020, amounts due from NDB were \$7,600,207 and \$7,754,269, respectively, and amounts due from UDIA were \$2,603,403 and \$2,599,835, respectively.

U.S. Dairy Export Council (USDEC) was incorporated in 1996 to improve the marketing conditions for the U.S. dairy industry with respect to the export of U.S. dairy products by promoting their acceptability, consumption, and purchase in international markets. DMI is the primary source of USDEC's funding, which was apportioned for the following purposes:

	2021	2020
Marketing programs	\$ 6,659,816	\$ 8,506,847
Core costs	8,826,416	8,747,538
	\$ 15,486,232	\$ 17,254,385

GENYOUth, Inc. (GENYOUth) was incorporated in 2009 and was formed for the purpose of encouraging, monitoring, and assisting organizations in implementing youth-oriented health programs in schools and promoting healthy diet and exercise programs. DMI is a primary source of GENYOUth's unrestricted contributions, which are used to fund its operating costs. DMI provided to GENYOUth cash and in-kind contributions of \$2,595,656 in 2021 and \$2,562,125 in 2020.

Dairy Management Inc.

Notes to Financial Statements (continued)

3. Related Party Transactions (continued)

Dairy Research Institute (DRI) was incorporated in 2010 for the purpose of dairy scientific research and sustainability advancement and operates under the oversight and control of DMI. For 2021 and 2020, DMI provided funding of \$1,203,963 and \$14,810, respectively, to DRI for program and operational expenses.

Innovation Center for U.S. Dairy (the Innovation Center) was incorporated in 2008 for the purpose of providing consumers access to nutritious dairy products and fostering industry innovation through a pre-competitive collaborative forum of the dairy industry. The Innovation Center operates under the oversight and control of DMI. For 2021 and 2020, DMI provided funding of \$94,060 and \$20,527, respectively, to the Innovation Center for program expenses.

4. Functional Classification of Expenses

DMI's primary program activities, which serve to promote U.S. dairy products in domestic and international markets, are noted in the following table. Additionally, expenses reported as general and administrative and other operating are incurred in support of these primary program activities. Natural expenses attributable to more than one functional expense category or overall organizational operations are primarily allocated using headcount.

Dairy Management Inc.

Notes to Financial Statements (continued)

4. Functional Classification of Expenses (continued)

Expenses by functional classification for the year ended December 31, 2021, consist of the following:

	Program Services							Support	Total	
	Youth Wellness	Strategic Intelligence	Integrated Communications	Sustainable Nutrition and Research	Domestic and International Marketing	Supplemental Funding	Export	Contract Services		General and Administrative
Staffing and travel	\$ 1,518,538	\$ 1,945,331	\$ 9,092,870	\$ 12,455,263	\$ 6,201,103	\$ -	\$ -	\$ 5,870,619	\$ 3,174,435	\$ 40,258,159
Operations and IT	364,943	467,653	1,967,236	2,536,190	1,231,196	-	-	637,674	800,276	8,005,168
Promotional and professional services	2,617,104	1,380,774	16,150,525	9,890,070	19,797,102	-	15,486,232	-	-	65,321,807
Research	-	7,502,717	390,419	5,894,930	-	-	-	-	-	13,788,066
Partnerships	8,304,061	28,748	2,985,318	684,165	3,841,088	-	-	-	-	15,843,380
Other	209,729	174,937	1,262,429	303,139	302,495	8,880,200	-	-	-	11,132,929
	<u>\$ 13,014,375</u>	<u>\$ 11,500,160</u>	<u>\$ 31,848,797</u>	<u>\$ 31,763,757</u>	<u>\$ 31,372,984</u>	<u>\$ 8,880,200</u>	<u>\$ 15,486,232</u>	<u>\$ 6,508,293</u>	<u>\$ 3,974,711</u>	<u>\$ 154,349,509</u>

Dairy Management Inc.

Notes to Financial Statements (continued)

4. Functional Classification of Expenses (continued)

Expenses by functional classification for the year ended December 31, 2020, consist of the following:

	Program Services							Support	Total	
	Youth Wellness	Strategic Intelligence	Integrated Communications	Sustainable Nutrition and Research	Domestic and International Marketing	Supplemental Funding	Export	Contract Services		General and Administrative
Staffing and travel	\$ 1,639,178	\$ 1,684,233	\$ 7,873,242	\$ 11,867,040	\$ 5,416,273	\$ –	\$ –	\$ 6,129,583	\$ 3,140,056	\$ 37,749,605
Operations and IT	391,398	374,521	1,759,252	2,647,356	1,131,201	–	–	648,069	812,741	7,764,538
Promotional and professional services	3,308,229	1,286,033	15,095,419	7,697,359	28,791,518	–	17,254,385	–	–	73,432,943
Research	–	4,921,924	611,308	6,573,163	631,721	–	–	–	–	12,738,116
Partnerships	6,391,682	24,182	3,235,005	2,273,934	7,649,244	–	–	–	–	19,574,047
Other	497,144	30,309	777,405	307,767	60,837	8,632,200	–	–	–	10,305,662
	<u>\$ 12,227,631</u>	<u>\$ 8,321,202</u>	<u>\$ 29,351,631</u>	<u>\$ 31,366,619</u>	<u>\$ 43,680,794</u>	<u>\$ 8,632,200</u>	<u>\$ 17,254,385</u>	<u>\$ 6,777,652</u>	<u>\$ 3,952,797</u>	<u>\$ 161,564,911</u>

Dairy Management Inc.

Notes to Financial Statements (continued)

5. Financial Assets and Liquidity Resources

As of December 31, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 975,550	\$ 217,873
Accounts receivable, net	676,425	381,348
Amounts due from related parties	10,539,282	10,867,886
Notes receivable, current portion	–	124,174
Total financial assets and liquidity resources available within one year	<u>\$ 12,191,257</u>	<u>\$ 11,591,281</u>

As part of its liquidity management, DMI has a defined practice to structure its financial assets to be available as its general expenditures come due. In addition, DMI invests cash in excess of daily operating needs in overnight investments when warranted based on market conditions.

6. Transactions With Other Industry Organizations

DMI provides various contract services such as marketing, financial, IT, and administrative support at cost to Dairy MAX, Newtrient L.L.C., Global Dairy Platform Inc. (GDP), National Milk Producers Federation (NMPF), New England Dairy and Promotion Board (NEDPB), New England Dairy Food Council (NEDFC), and California Dairy Research Foundation (CDRF).

The amounts charged by DMI for such services were as follows:

	<u>2021</u>	<u>2020</u>
Organization		
Dairy MAX	\$ 4,827,026	\$ 4,639,745
Newtrient L.L.C.	788,017	1,152,977
GDP	653,462	744,377
NMPF	159,268	155,000
NEDPB and NEDFC	75,420	80,453
CDRF	5,100	5,100
Total contract services	<u>\$ 6,508,293</u>	<u>\$ 6,777,652</u>

Dairy Management Inc.

Notes to Financial Statements (continued)

6. Transactions With Other Industry Organizations (continued)

Additionally, DMI obtains economic research, communications support, and sustainability services from NMPF under annual contracts. Amounts paid by DMI to NMPF were \$2,608,587 and \$2,724,477 for 2021 and 2020, respectively.

7. Fixed Assets

Property and equipment at December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Computer equipment and software	\$ 2,079,388	\$ 1,978,683
Furniture, equipment, and leasehold improvements	<u>2,250,328</u>	<u>2,248,355</u>
	4,329,716	4,227,038
Accumulated depreciation	<u>(2,927,538)</u>	<u>(2,408,985)</u>
	<u>\$ 1,402,178</u>	<u>\$ 1,818,053</u>

8. Employee Retirement Plans

DMI participates in a UDIA-sponsored defined contribution plan, which covers all eligible DMI employees and employees of other UDIA members and industry organizations sponsored by UDIA. Under the terms of the defined contribution plan, DMI contributes an amount equal to its employees' contributions, up to a maximum of 3% of eligible compensation for all employees. DMI also contributes an additional 7% of eligible compensation, representing an unmatched contribution. DMI's contributions to the savings plan were \$2,401,892 and \$2,366,087 for 2021 and 2020, respectively.

9. Commitments

DMI leases its offices in Rosemont, Illinois, under the terms of a noncancelable lease agreement that requires DMI to make minimum lease payments plus pay a pro rata share of certain operating costs.

On August 9, 2019, DMI entered into a sublease agreement for office space in Arlington, Virginia, with NMPF, commencing on October 1, 2019, and expiring on December 31, 2028. DMI has the option to terminate the sublease effective December 31, 2024. NMPF, in turn, leases the office space from an unrelated party.

Dairy Management Inc.

Notes to Financial Statements (continued)

9. Commitments (continued)

Rent expense under operating leases aggregated \$1,987,211 and \$1,842,136 for 2021 and 2020, respectively.

The following is a schedule of future minimum lease payments under the office space operating leases as of December 31, 2021:

2022	\$ 1,265,129
2023	1,296,813
2024	1,328,562
2025	1,360,375
2026	105,382
Thereafter	218,746
	<u>\$ 5,575,007</u>

DMI obtained a five-year \$22 million loan from CoBank in conjunction with the 2016 termination of a UDIA-sponsored defined benefit multiemployer plan in which DMI had participated. The loan, which has a 3.93% annual interest rate and a maturity date of September 20, 2021, was obtained on October 18, 2016, on behalf of DMI and certain other participating employers.

The original loan amount of \$22 million was based on a preliminary estimate of the pension liability from an external actuarial consulting firm. Debt payments of \$124,174 and \$585,254 were made during 2021 and 2020, respectively. These amounts represent both payments made in compliance with the debt retirement schedule per the loan agreement and payments made for early principal retirements made by certain other participating employers. The loan balance was \$124,174 at December 31, 2020. The note payable balance at December 31, 2020, was fully retired via quarterly payments made during 2021 as specified within the terms of the loan agreement.

DMI entered into separate loan agreements with a number of these participating employers under identical terms as its loan with CoBank. The notes receivable balance related to the loan agreements totaled \$124,174 at December 31, 2020, and was fully collected during 2021.

Dairy Management Inc.

Notes to Financial Statements (continued)

10. Subsequent Events

DMI evaluated events occurring between January 1, 2022 and May 10, 2022, which is the date the accompanying financial statements were available to be issued. No events subsequent to December 31, 2021, have been identified that require recognition or disclosure in the financial statements.

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