



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

June 13, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Iowa Egg Council for the years ended June 30, 2013 and 2012.

The purpose of the Council is to promote the increased utilization of eggs and egg products and provide for market development.

The Council had revenues of \$1,119,453 and expenses of \$1,305,443 for the year ended June 30, 2013. This represents a 4.5% increase in revenues and a 47.4% increase in expenses from the year ended June 30, 2012. The increase in revenues is due primarily to increased assessments. The increase in expenses is due primarily to increased payments to the Egg Industry Center Endowment at Iowa State University.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1460-0180-B000.pdf>.

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**IOWA EGG COUNCIL**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2013 and 2012**

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## Iowa Egg Council

### Officials

Name

Title

#### State

Honorable Terry E. Branstad  
David Roederer  
Glen P. Dickinson

Governor  
Director, Department of Management  
Director, Legislative Services Agency

#### Council

Brett Pickar  
Rich Hall  
Evan Blom  
Bruce Dooyema  
Andrew Kaldenburg  
Dave Nugent  
Blair Van Zetten

Chairperson  
Vice-Chairperson  
Secretary/Treasurer  
Member  
Member  
Member  
Member

#### Ex Officio Members

Honorable Bill Northey  
  
Dr. Hongwei Xin  
Mark Fischer

Iowa Department of Agriculture and  
Land Stewardship – Secretary of Agriculture  
Iowa State University  
Iowa Economic Development Authority

#### Agency

Kevin S. Vinchattle

Executive Director

**Iowa Egg Council**



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Independent Auditor's Report

To the Members of the  
Iowa Egg Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the Iowa Egg Council, as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements, which collectively comprise the Iowa Egg Council's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Iowa Egg Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Egg Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Iowa Egg Council at June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2014 on our consideration of the Iowa Egg 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 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 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 Iowa Egg Council's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 21, 2014



Iowa Egg Council  
 Statements of Net Assets  
 June 30, 2013 and 2012

	2013	2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 616,470	788,083
Accounts receivable	133,887	125,838
Prepaid expenses	6,672	4,779
Total current assets	757,029	918,700
Furniture and equipment, net of accumulated depreciation of \$37,071	-	-
<b>Total assets</b>	<b>\$ 757,029</b>	<b>918,700</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 84,019	59,630
Compensated absences	3,983	4,053
Total current liabilities	88,002	63,683
Net assets - unrestricted	669,027	855,017
<b>Total liabilities and net assets</b>	<b>\$ 757,029</b>	<b>918,700</b>

See notes to financial statements.

**Exhibit B**

## Iowa Egg Council

Statements of Revenues, Expenses and Changes  
in Net Assets

Years ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Assessments	\$ 1,073,906	1,016,844
American Egg Board funding	39,793	52,952
Miscellaneous	4,815	219
Total revenues	<u>1,118,514</u>	<u>1,070,015</u>
Operating expenses:		
Salaries	209,145	163,709
Travel and subsistence	34,509	45,640
Office supplies	6,744	6,235
Advertising	174,026	133,636
Other promotional supplies	43,863	41,838
Equipment and maintenance	9,250	9,371
Telephone	4,835	5,647
Rent	34,519	34,440
Insurance	3,807	3,119
Professional services for research activities	52,874	130,133
Egg Industry Center Endowment	533,750	210,000
Consumer education	15,776	60
Promotions	161,596	81,295
Miscellaneous	20,749	20,757
Total expenses	<u>1,305,443</u>	<u>885,880</u>
Operating gain (loss)	(186,929)	184,135
Non-operating revenues:		
Interest income	939	1,087
Changes in net assets	(185,990)	185,222
Net assets beginning of year	<u>855,017</u>	<u>669,795</u>
Net assets end of year	<u>\$ 669,027</u>	<u>855,017</u>

See notes to financial statements.

Iowa Egg Council

Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from assessments	\$ 1,065,857	1,008,097
Cash paid to suppliers	(540,052)	(517,195)
Cash paid to employees for services	(209,215)	(164,045)
Cash paid to Egg Industry Center Endowment	(533,750)	(210,000)
Other operating revenues	44,608	53,171
Net cash provided (used) by operating activities	<u>(172,552)</u>	<u>170,028</u>
Cash flows from investing activities:		
Interest received	939	1,087
Net increase (decrease) in cash and cash equivalents	(171,613)	171,115
Cash and cash equivalents beginning of year	788,083	616,968
Cash and cash equivalents end of year	<u>\$ 616,470</u>	<u>788,083</u>
<b>Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:</b>		
Operating gain (loss)	<u>\$ (186,929)</u>	<u>184,135</u>
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Increase in accounts receivable	(8,049)	(8,747)
(Increase) decrease in prepaid expenses	(1,893)	694
Increase (decrease) in accounts payable	24,389	(5,718)
Decrease in compensated absences	(70)	(336)
Total adjustments	<u>14,377</u>	<u>(14,107)</u>
Net cash provided (used) by operating activities	<u>\$ (172,552)</u>	<u>170,028</u>

See notes to financial statements.

Iowa Egg Council

Notes to Financial Statements

June 30, 2013 and 2012

**(1) Summary of Significant Accounting Policies**

The purpose of the Iowa Egg Council is to promote the increased utilization of eggs and egg products and provide for market development. Statutory authority for the Iowa Egg Council is established under Chapter 184 of the Code of Iowa. Funding is provided by an assessment imposed on producers for eggs sold.

- A. Reporting Entity – For financial reporting purposes, the Iowa Egg Council has included all funds, organizations, agencies, boards, commissions and authorities.

The Board's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

- B. Basis of Accounting – The financial statements of the Council are prepared on the accrual basis.
- C. Budgetary Control – Budgetary control is exercised over the Council by the governing body of the Council, which approves, reviews and revises the budget.
- D. Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.
- E. Furniture and Equipment – Furniture and equipment are capitalized at cost. Expenses for repair and maintenance are charged against operations. The estimated lives for furniture and equipment range from three to seven years.
- F. Depreciation – Furniture and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.
- G. Income Taxes – The Council is exempt from taxation.
- H. Compensated Absences – Council employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The liability recorded for earned but unused vacation has been computed based on rates of pay in effect at the end of the fiscal year.

**(2) Deposits**

The Council's deposits in banks at June 30, 2013 and 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**(3) Furniture and Equipment**

Summaries of furniture and equipment for the years ended June 30, 2013 and 2012 are as follows:

	Year ended June 30, 2013			
	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Furniture and equipment	\$ 37,071	-	-	37,071
Less accumulated depreciation	(37,071)	-	-	(37,071)
Furniture and equipment, net	\$ -	-	-	-

  

	Year ended June 30, 2012			
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Furniture and equipment	\$ 37,071	-	-	37,071
Less accumulated depreciation	(37,071)	-	-	(37,071)
Furniture and equipment, net	\$ -	-	-	-

**(4) Related Party Transactions**

The Council has contracted with the Iowa Poultry Association (Association) to develop, prepare and distribute educational and promotional material relating to eggs, egg products and egg production, develop and implement public relations, advertising or marketing campaigns designed to maintain/increase the use of eggs or egg products, secure consumer confidence and promote the safe handling of eggs and egg products, encourage exchange of information, ideas and technology between various parties involved in the egg industry and participate in trade missions, fairs, trade shows and conferences which are beneficial to the industry. The contract provided for the Council to make monthly payments to the Association for these services totaling \$747,567 and \$629,714 for the years ended June 30, 2013 and 2012, respectively.

In addition, certain administrative expenses are also paid by the Association for the Council under a contractual agreement. The contract provides for the Council to make payments to the Association totaling \$275,416 and \$274,509 for the years ended June 30, 2013 and 2012, respectively.

Both contracts contain provisions which state, in part, "The contract payments may be modified as necessary to meet the obligations incurred in the performance of this agreement. Such payments shall not exceed the actual amount required to cover the actual services performed..." Actual expenses under the above contracts totaled \$1,305,443 and \$885,880 for the years ended June 30, 2013 and 2012, respectively. The amounts paid to the Association are distributed to the appropriate expense classifications in Exhibit B of the financial statements.

**(5) Risk Management**

The Council is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) SIMPLE IRA Plan**

The Council participates in a SIMPLE IRA plan which covers most employees. The Council matches an employee's contributions up to a maximum of 3% of the employee's wages. Total expenses under this plan for the years ended June 30, 2013 and 2012 were \$3,652 and \$3,376, respectively.

**(7) Gift Commitments to the Egg Industry Center Endowment at Iowa State University**

The Council made gift commitments to establish an endowed Egg Industry Center in Iowa State University of Science and Technology's College of Agriculture and Life Sciences.

In June 2006, the Council pledged \$1,000,000, plus \$5,000 per year for administrative costs, to the Egg Industry Center Endowment, with the pledge to be completed in equal installments over ten years. In March 2007, the Council pledged an additional \$1,000,000, plus \$5,000 per year for administrative costs, to the Egg Industry Center Endowment over ten years beginning July 1, 2007. Total gifts to the Egg Industry Center Endowment for the years ended June 30, 2013 and 2012 were \$533,750 and \$210,000, respectively. The final payment for the initial pledge was paid ahead of schedule with the Council completing its pledge on June 14, 2013.

The Council considers the gift commitments to be conditional pledges. The Council approves the payment amount as part of the annual budget, which is contingent upon the availability of future revenues.



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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

To the Members of the  
Iowa Egg Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Iowa Egg Council as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, and have issued our report thereon dated May 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Iowa Egg Council's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Egg Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa Egg Council's internal control.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the Iowa Egg Council's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Egg Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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 non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance which is described in the Schedule of Findings.

Comments involving statutory and other legal matters about the Council's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Council. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited.

Iowa Egg Council's Response to the Finding

The Iowa Egg Council's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Iowa Egg Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Iowa Egg Council'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 Iowa Egg Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Egg Council during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 21, 2014



Iowa Egg Council

Schedule of Findings

Year ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCE OF NON-COMPLIANCE:**

Board Minutes – The Council went into closed sessions two times during the year ended June 30, 2013. The Council minutes did not include the vote of each member on the question of holding the closed session and did not reference a specific code exemption as required by Chapter 21.5 of the Code of Iowa.

Additionally, the minutes for all meetings lacked information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – Meeting minutes should be documented in compliance with Chapter 21.3 of the Code of Iowa. Minutes should state information sufficient to indicate the vote of each member present and the vote of each member present shall be made public at the open session. Closed meetings should be held in compliance with Chapter 21.5 of the Code of Iowa and, when entering into a closed session, the vote of each member on the question of holding the closed session and the reason for holding the closed session by reference to a specific exemption shall be announced publicly at the open session and entered in the minutes.

Response – The Iowa Egg Council contacted legal counsel. Based on guidance provided, the Egg Council will make a motion to adopt the recording of votes in compliance with Chapter 21 of the Code of Iowa at the June 19, 2014 meeting.

Conclusion – Response accepted.

**Other Findings Related to Required Statutory Reporting:**

No matters were noted.

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Iowa Egg Council

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Leanna J. Showman, Senior Auditor  
Ryan J. Magill, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State