



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

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE _____ May 13, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the Iowa Egg Council for the years ended June 30, 2019 and 2018.

FINANCIAL HIGHLIGHTS:

The Council had revenues of \$1,183,347 and expenses of \$978,721 for the year ended June 30, 2019. This represents a 6.3% increase in revenues and a 2.0% increase in expenses from the year ended June 30, 2018.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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IOWA EGG COUNCIL
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS
JUNE 30, 2019 AND 2018

Iowa Egg Council



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May 5, 2020

Officials of the Iowa Egg Council

Dear Council Members:

I am pleased to submit to you the financial and compliance audit report for the Iowa Egg Council for the year ended June 30, 2019. The audit was performed pursuant to Chapter 184.14 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Egg Council throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Iowa Egg Council

Officials

Name

Title

State

Honorable Kim Reynolds
David Roederer
Glen P. Dickinson

Governor
Director, Department of Management
Director, Legislative Services Agency

Council

Bruce Dooyema
Evan Blom
Blair Van Zetten
Tom Olson

Chairperson
Vice-Chairperson
Treasurer
Secretary

Rich Hall
Andrew Kaldenberg
Dann Snyder

Member
Member
Member

Ex Officio Members

Honorable Mike Naig
Dr. Hongwei Xin
Mark Fischer

Iowa Department of Agriculture and
Land Stewardship – Secretary of Agriculture
Iowa State University
International Marketing Manager,
Iowa Economic Development Authority

Agency

Kevin Stiles

Executive Director

Indefinite



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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, 2019 and 2018, 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.

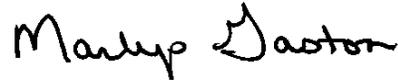
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, 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 5, 2020 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 5, 2020

Iowa Egg Council

Basic Financial Statements

Iowa Egg Council

Iowa Egg Council
 Statements of Net Assets
 June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,244,807	1,063,297
Accounts receivable	150,641	143,454
Prepaid expenses	7,412	9,811
Total assets	\$ 1,402,860	1,216,562
Liabilities, Deferred Inflows of Resources and Net Assets		
Liabilities:		
Accounts payable	\$ 82,919	115,178
Compensated absences	8,709	10,830
Contract payable	-	1,631
Total liabilities	91,628	127,639
Deferred inflows of resources:		
Other	17,683	-
Net assets - unrestricted	1,293,549	1,088,923
Total liabilities, deferred inflows of resources and net assets	\$ 1,402,860	1,216,562

See notes to financial statements.

Exhibit B

Iowa Egg Council

Statements of Revenues, Expenses and Changes
in Net Assets

Years ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Assessments	\$ 1,126,412	1,097,064
American Egg Board funding	39,325	12,401
Miscellaneous	15,000	1,500
Total revenues	<u>1,180,737</u>	<u>1,110,965</u>
Operating expenses:		
Salaries	290,878	256,365
Travel and subsistence	32,435	39,975
Office supplies	6,412	4,038
Advertising	111,669	92,111
Other promotional supplies	30,979	32,713
Equipment and maintenance	2,168	4,254
Telephone	6,046	6,993
Rent	35,071	34,936
Insurance	6,427	8,142
Professional services for research activities	55,010	18,858
Fall Manure Project	33,781	-
Egg Council Endowed Professorship	-	119,333
Poultry Teaching and Research Facility	195,000	150,000
Utilization	-	50,672
Consumer education	30,842	14,602
Promotions	115,964	98,986
Miscellaneous	26,039	27,115
Total expenses	<u>978,721</u>	<u>959,093</u>
Operating gain	202,016	151,872
Non-operating revenues:		
Interest income	2,610	2,088
Changes in net assets	204,626	153,960
Net assets beginning of year	<u>1,088,923</u>	<u>934,963</u>
Net assets end of year	<u>\$ 1,293,549</u>	<u>1,088,923</u>

See notes to financial statements.

Iowa Egg Council

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from assessments	\$ 1,119,224	1,068,999
Cash paid to suppliers	(506,652)	(715,801)
Cash paid to employees for services	(292,999)	(257,708)
Cash paid to Egg Council Endowed Professorship	-	(119,333)
Cash paid to the Poultry Teaching and Research Facility	(195,000)	(150,000)
Other operating revenues	54,326	13,901
Net cash provided (used) by operating activities	178,900	(159,942)
Cash flows from investing activities:		
Interest received	2,610	2,088
Net increase (decrease) in cash and cash equivalents	181,510	(157,854)
Cash and cash equivalents beginning of year	1,063,297	1,221,151
Cash and cash equivalents end of year	\$ 1,244,807	1,063,297
Reconciliation of operating gain to net cash provided by operating activities:		
Operating gain	\$ 202,016	151,872
Adjustments to reconcile operating gain to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Increase in accounts receivable	(7,187)	(28,065)
Decrease in prepaid expenses	2,399	789
Decrease in accounts and contracts payable	(33,890)	(283,195)
Increase in deferred inflows of resources	17,683	-
Decrease in compensated absences	(2,121)	(1,343)
Total adjustments	(23,116)	(311,814)
Net cash provided (used) by operating activities	\$ 178,900	(159,942)

See notes to financial statements.

Iowa Egg Council

Notes to Financial Statements

June 30, 2019 and 2018

(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 Council'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 organizations.

- 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 Statements 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 hours 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, 2019 and 2018 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 ensure there will be no loss of public funds.

(3) 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 provides for the Council to make monthly payments to the Association for these services totaling \$616,090 and \$692,965 for the years ended June 30, 2019 and 2018, 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 \$393,985 and \$342,186 for the years ended June 30, 2019 and 2018, 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 \$978,721 and \$959,093 for the years ended June 30, 2019 and 2018, respectively. The amounts paid to the Association are distributed to the appropriate expense classifications in Exhibit B of the financial statements.

(4) 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.

(5) 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, 2019 and 2018 were \$6,949 and \$6,191, respectively.

(6) Gift Commitments

In June 2016, the Council made a gift commitment to establish a Poultry Teaching and Research Facility at Iowa State University. The Council pledged \$1,500,000 to the Poultry Teaching and Research Facility with the pledge to be completed in annual installments equal to the lesser of \$150,000 or 15% of annual check-off fee revenue over ten years beginning no earlier than July 2017. In June 2017, the Council approved to move up the first payment earlier than July 2017 in support of the planning process for the project. As a result, the first payment of \$150,000 was made to Iowa State University in June 2017 for this gift commitment. Total gifts to the Poultry Teaching and Research Facility for the year ended June 30, 2019 were \$195,000. The total cumulative amount paid as of June 30, 2019 is \$495,000.

In January 2019, the Council made a gift commitment to help fund a fall manure project at Iowa State University of Science and Technology. The Council pledged \$67,563 to Iowa State University to be paid in three installments. \$33,781 was paid upon execution of the agreement and quarterly payment of \$16,891 are payable on July 1, 2019 and October 1, 2019. Total gifts for the fall manure project for the year ended June 30, 2019 were \$33,781.

The Council considers these 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.

(7) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the Iowa Egg Council, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the Iowa Egg Council's operations and finances.

Iowa Egg Council



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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, 2019, and the related Notes to Financial Statements, and have issued our report thereon dated May 5, 2020.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 preceding paragraph 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 we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

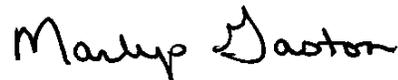
Compliance and Other Matters

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 which 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 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 5, 2020

Iowa Egg Council

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

No matters were noted.

Iowa Egg Council

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Jennifer L. Wall, CPA, Manager
Nicholas J. Rustin, Staff Auditor
Kelly M. Disney, Assistant Auditor