



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE November 30, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Soybean Promotion Board for the fiscal years ended August 31, 2004 and 2003.

The purpose of the Board is to develop and carry out research, education and promotion to maintain present soybean and soybean products markets, to develop new or larger domestic and foreign markets and to provide for the prevention, modification or elimination of trade barriers which obstruct the free flow of soybeans and soybean products to market.

Vaudt reported the Board's net soybean assessments revenue totaled \$6,953,624 for the year ended August 31, 2004, a 1% increase from 2003. Expenses for the year ended August 31, 2004 totaled \$6,924,262, an increase of 23% from the prior year. The increase in expenses was primarily due to the increase in research and contracted programs.

For fiscal 2004, the Board distributed \$4,519,046 to the Iowa Soybean Association for administration, market development and production technology, an increase of 19% over 2003. The Board expended a total of \$3,412,771 for market development, an increase of 30% over the prior year.

A copy of the audit report is available for review in the Office of Auditor of State.

###

IOWA SOYBEAN PROMOTION BOARD

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS**

AUGUST 31, 2004 AND 2003

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5
Financial Statements:	<u>Exhibit</u>	
Statements of Financial Position	A	8
Statements of Revenues, Expenses and Changes in Net Assets	B	9
Statements of Cash Flows	C	10
Notes to Financial Statements		11-13
Supplemental Information:	<u>Schedule</u>	
Statement of Revenues and Expenses by Activity – Actual and Budget	1	16-17
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		19-20
Schedule of Findings		21-22
Staff		23

Iowa Soybean Promotion Board

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Cynthia P. Eisenhauer
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Board

Jim Stillman
Bill Talsma
Alan Karkosh
Ed Ulch
Ray Gaesser
Jim Legvold
Brian Kemp
Dean Coleman
Merle Havertape
Roy Arends
Sheila Hebenstreit
Delbert Christensen
Neal Keppy
Mark Jackson
Mark Beedle
Cliff Mulder
Larry Marek

Chairperson
Vice Chairperson
Secretary
Treasurer
Officer at Large
Past Chairman
Member
Member
Member
Member
Member
Member
Member
Member
Member
Member
Member

Ex officio

Harold Hommes
Richard Vegors
Ed Beaman
David Holm
Wendy Wintersteen

Agricultural Marketing Bureau Chief,
Iowa Department of Agriculture
Marketing Manager, Grain and Grain Co-Products,
Iowa Department of Economic Development
President and Chief Executive Officer, Environmental
and Regulatory Policy, Agribusiness Association of Iowa
Executive Director, Iowa Institute for Cooperatives
Senior Associate Dean, College of Agriculture,
Iowa State University

Agency

Kirk Leeds

Chief Executive Officer

Iowa Soybean Promotion Board



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the
Iowa Soybean Promotion Board:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Soybean Promotion Board, as of and for the years ended August 31, 2004 and 2003. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, provisions of the Soybean Promotion and Research Order and the Soybean Promotion, Research and Consumer Information Act of 1990 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Soybean Promotion Board at August 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2004 on our consideration of the Iowa Soybean Promotion Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 11, 2004

Iowa Soybean Promotion Board

Financial Statements

Exhibit A

Iowa Soybean Promotion Board
Statements of Financial Position
August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash and investments (note 2)	\$ 4,762,877	5,429,201
Assessments receivable	549,646	798,321
Due from Iowa Soybean Association (note 4)	729,641	479,408
Prepaid expenses	5,416	5,619
Interest receivable	<u>1,916</u>	<u>1,340</u>
Total assets	<u>\$ 6,049,496</u>	<u>6,713,889</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,582,620	2,541,881
Due to Iowa Soybean Association (note 4)	<u>1,123,688</u>	<u>943,241</u>
Total liabilities	2,706,308	3,485,122
Net assets - unrestricted	<u>3,343,188</u>	<u>3,228,767</u>
Total liabilities and net assets	<u>\$ 6,049,496</u>	<u>6,713,889</u>

See notes to financial statements.

Iowa Soybean Promotion Board

Statements of Revenues, Expenses and Changes in Net Assets

Years ended August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Assessments - National Check-off	\$ 14,629,985	14,350,857
Assessments collected from other QSSBs	332,651	291,174
Less:		
Assessment revenue remitted to other QSSBs	(1,087,948)	(896,003)
Assessment revenue remitted to USB	<u>(6,921,064)</u>	<u>(6,864,380)</u>
Net assessment revenue	6,953,624	6,881,648
USDA grant	34,199	35,000
Interest income	<u>50,860</u>	<u>47,180</u>
Net revenues	<u>7,038,683</u>	<u>6,963,828</u>
Expenses (note 4):		
Administration	433,887	288,939
Market development	3,412,771	2,703,445
Production technology	<u>3,077,604</u>	<u>2,632,830</u>
Total expenses	<u>6,924,262</u>	<u>5,625,214</u>
Changes in net assets	114,421	1,338,614
Net assets beginning of year	<u>3,228,767</u>	<u>1,890,153</u>
Net assets end of year	<u>\$ 3,343,188</u>	<u>3,228,767</u>

See notes to financial statements.

Exhibit C

Iowa Soybean Promotion Board

Statements of Cash Flows

Years ended August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from assessments	\$ 14,961,078	14,605,126
Cash received from grant	34,199	35,000
Cash paid to other QSSBs, USB, suppliers and employees	(15,711,887)	(11,648,549)
Other operating revenues	<u>50,286</u>	<u>46,285</u>
Net cash provided by (used for) operating activities	<u>(666,324)</u>	<u>3,037,862</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,897,703	2,605,400
Purchase of investments	<u>(1,915,472)</u>	<u>(2,522,154)</u>
Net cash provided by (used for) investing activities	<u>(17,769)</u>	<u>83,246</u>
Net increase (decrease) in cash and cash equivalents	(684,093)	3,121,108
Cash and cash equivalents beginning of year	<u>4,787,936</u>	<u>1,666,828</u>
Cash and cash equivalents end of year	<u>4,103,843</u>	<u>4,787,936</u>
Investments:		
U.S. treasury bill	629,783	629,921
Certificates of deposit	<u>29,251</u>	<u>11,344</u>
Total investments	<u>659,034</u>	<u>641,265</u>
Cash and investments per Statements of Financial Position	<u>\$ 4,762,877</u>	<u>5,429,201</u>
Reconciliation of changes in net assets to net cash provided by (used for) operating activities:		
Changes in net assets	\$ 114,421	1,338,614
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
(Increase) decrease in assessments receivable	248,675	(36,905)
(Increase) in due from Iowa Soybean Association	(250,233)	(479,408)
Decrease in prepaid expenses	203	375,632
Decrease in interest receivable	(576)	(895)
Increase (decrease) in accounts payable	(959,261)	943,941
Increase in due to Iowa Soybean Association	<u>180,447</u>	<u>896,883</u>
Net cash provided by (used for) operating activities	<u>\$ (666,324)</u>	<u>3,037,862</u>

See notes to financial statements.

Iowa Soybean Promotion Board

Notes to Financial Statements

August 31, 2004 and 2003

(1) Summary of Significant Accounting Policies

The purpose of the Iowa Soybean Promotion Board is to establish programs for promotion, research and education directed toward better and more efficient production, marketing and utilization of soybeans and soybean products; to provide public relations and other promotion techniques for the maintenance of present markets; to provide for the development of new or larger domestic and foreign markets; and to provide for the prevention, modification or elimination of trade barriers which obstruct the free flow of soybeans and soybean products. Statutory authority for the Iowa Soybean Promotion Board is established under Chapter 185 of the Code of Iowa.

- A. Reporting Entity – For financial reporting purposes, the Iowa Soybean Promotion Board has included all funds, organizations, agencies, boards, commissions and authorities. The Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Board. The Iowa Soybean Promotion Board has no component units which meet the Governmental Accounting Standards Board criteria.
- B. National Checkoff – The Iowa Soybean Promotion Board receives .5% of the net market value of soybeans grown in Iowa. One half of the amount received, adjusted for refunds, assessment revenue remitted to other Qualified State Soybean Boards (QSSB) and penalties received, is disbursed to the United Soybean Board (USB). Soybeans grown in Iowa and sold to another state are assessed by that Qualified State Soybean Board (QSSB) and those assessments are returned to the Iowa Soybean Promotion Board.
- C. Basis of Accounting – The financial statements of the Board are prepared on the accrual basis.
- 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. Budgetary Control – Budgetary control is exercised over the Iowa Soybean Promotion Board by the Board of Directors, which approves, reviews and revises the budget. Formal budgetary control is based on total operating expenses.
- F. Income Taxes – The Board is exempt from taxation under Section 501(c) of the Internal Revenue Code.

(2) Cash and Investments

The Board's deposits throughout the period and at August 31 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.

The Board is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board's officers and directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

The Board's investment at August 31, 2004 and 2003, stated at fair value, is as follows:

Type	2004	2003
U.S. treasury bill	<u>\$ 629,783</u>	<u>629,921</u>

The Board's investment is categorized to give an indication of the level of risk assumed by the Board at year end. The Board's investment is Category 1, which means the investment is insured or registered or the security is held by the Board or its agent in the Board's name.

(3) Promotional Development

Chapter 185.29 of the Code of Iowa states as follows:

After the costs of elections, referendum, necessary board expenses and administrative costs have been paid, at least seventy-five percent of the remaining funds in the soybean promotion fund shall be expended for market development activities to include developing and expanding new markets for soybeans and soybean products worldwide. The funds can only be used for research, promotion and education in cooperation with agencies who are equipped to do this kind of work.

For the years ended August 31, 2004 and 2003, the Board expended 94% and 95%, respectively, for market development and production technology.

(4) Related Party Transactions

The Board has contracted with the Iowa Soybean Association to conduct research and develop programs to maintain and expand markets for U.S. soybeans. Expenses under this contract totaled \$4,519,046 and \$3,803,720 for the years ended August 31, 2004 and 2003, respectively.

(5) Risk Management

The Board 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 Board 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.

Iowa Soybean Promotion Board

Supplemental Information

Iowa Soybean Promotion Board

Statement of Revenues and Expenses by Activity - Actual and Budget

Year ended August 31, 2004

	Adminis- tration	Market Development	Production Technology
Revenues:			
Assessments - National Check-off			
Assessments collected from other QSSBs			
Less:			
Assessment revenue remitted to other QSSBs			
Assessment revenue remitted to USB			
Net assessment revenue			
USDA grant			
Interest on investments			
Net revenues			
Expenses:			
Check-off and refund maintenance	\$ 15,163	-	-
Board expense	103,507	-	-
Auditing by Iowa Department of Agriculture	22,917	-	-
Insurance	5,703	-	-
Professional fees	9,492	-	-
Miscellaneous	7,573	-	-
Strategic planning	63,593	-	-
Soybean Research and Development Council Task Force	70,819	-	-
Contracted programs	135,120	3,142,961	1,225,802
In-State/Regional research	-	206,611	1,838,818
U.S. Meat Export Federation	-	8,000	-
USDA Fuel Cell grant	-	38,199	-
Soyfoods Council	-	1,000	-
National Biodiesel Board	-	10,000	-
U.S. Poultry and Egg Export Council	-	6,000	-
Iowa 4-H Foundation	-	-	12,984
	<u>\$433,887</u>	<u>3,412,771</u>	<u>3,077,604</u>
Total expenses			

Net

See accompanying independent auditor's report.

Actual	Budget	Favorable (Unfavorable) Variance
\$ 14,629,985	12,554,588	2,075,397
332,651	-	332,651
(1,087,948)	-	(1,087,948)
<u>(6,921,064)</u>	<u>(6,277,338)</u>	<u>(643,726)</u>
6,953,624	6,277,250	676,374
34,199	-	34,199
50,860	50,000	860
<u>7,038,683</u>	<u>6,327,250</u>	<u>711,433</u>
15,163	26,088	10,925
103,507	102,500	(1,007)
22,917	24,000	1,083
5,703	6,700	997
9,492	5,500	(3,992)
7,573	10,000	2,427
63,593	70,500	6,907
70,819	70,819	-
4,503,883	5,844,375	1,340,492
2,045,429	2,161,150	115,721
8,000	8,000	-
38,199	-	(38,199)
1,000	1,000	-
10,000	10,000	-
6,000	6,000	-
12,984	13,000	16
<u>6,924,262</u>	<u>8,359,632</u>	<u>1,435,370</u>
<u>\$ 114,421</u>	<u>(2,032,382)</u>	<u>2,146,803</u>

Iowa Soybean Promotion Board



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Members of the
Iowa Soybean Promotion Board:

We have audited the financial statements of the Iowa Soybean Promotion Board as of and for the year ended August 31, 2004, and have issued our report thereon dated November 11, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, provisions of the Soybean Promotion and Research Order and the Soybean Promotion, Research and Consumer Information Act of 1990 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Iowa Soybean Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

In connection with our audit, nothing came to our attention that caused us to believe the Board 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 and the Soybean Promotion and Research Order relative to the use and investment of funds collected by the Board and with the terms described in Section 1220.228(a) of the Order relative to prohibited uses of funds collected by the Board and with provisions of Section 1220.211(j). However, our audit was not directed primarily toward obtaining knowledge of such non-compliance in the use and investment of funds.

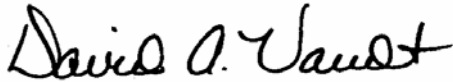
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Soybean Promotion Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters

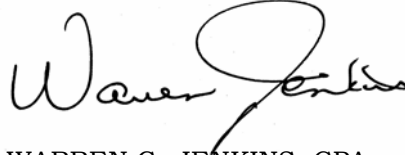
involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Soybean Promotion Board, citizens of the State of Iowa and other parties to whom the Iowa Soybean Promotion Board may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Soybean Promotion Board 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 11, 2004

Iowa Soybean Promotion Board

Schedule of Findings

Year ended August 31, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Iowa Soybean Promotion Board

Schedule of Findings

Year ended August 31, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Iowa Soybean Promotion Board. The maximum deposit amount stated in the resolution was exceeded during the year at West Bank.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Iowa Soybean Promotion Board.

Response – The source of the Iowa Soybean Promotion Board’s revenue is from sale of soybeans. West Bank is the bank where this revenue is deposited. Based on historical bank balances, the \$5,500,000 maximum deposit limit has been adequate. In November we noticed that due to higher prices of soybeans and volume of sales that the revenues were causing the bank balances to push up towards the maximum deposit limit. Therefore we included on the December 19, 2003 board meeting agenda a resolution increasing the maximum amount to \$7,000,000. This was passed. However, prior to this passage, there were a few days which the deposit limit of \$5,500,000 was exceeded.

Conclusion – Response accepted.

- (2) Deposits and Investments – The interest rate on certain time certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Recommendation – Public fund time certificates of deposit, when renewed, should be renewed at a rate of interest which conforms with current rates for public funds on the date of renewal. In addition, the Board should contact the bank to obtain the appropriate amount of interest.

Response – At the time of renewal of these certificates of deposit the bank was contacted in order to obtain the state rate. Based on the information that the bank employee had it was believed that we had received the appropriate rate. The bank has been contacted and they have allowed the Iowa Soybean Promotion Board the additional interest based on the higher rates furnished to us by the auditors. In order to prevent this in the future, we have now have been given information from the auditors as to a website on which we can double check the bank’s information. Also, we will be keeping the documentation which we relied on for disclosure of the state rate.

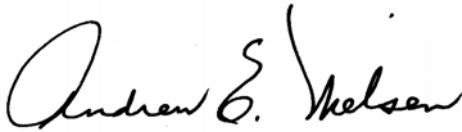
Conclusion – Response accepted.

Iowa Soybean Promotion Board

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Kristen E. Harang, CPA, Staff Auditor
Jennifer L. Johnson, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct 'E'.

Andrew E. Nielsen, CPA
Deputy Auditor of State