



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

May 30, 2018

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, 2017 and 2016.

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 \$1,104,552 and expenses of \$1,038,920 for the year ended June 30, 2017. This represents a 32.1% increase in revenues and a 42.4% increase in expenses over the year ended June 30, 2016. The significant increase in revenue and expenses is due primarily to an outbreak of Avian Influenza beginning in April 2015 and extending through much of fiscal year 2016. During fiscal year 2017, revenues and expenses began to stabilize.

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 <https://auditor.iowa.gov/reports/1860-0180-B000>.

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**IOWA EGG COUNCIL**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017 AND 2016**

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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  
Jeff Hardie

Chairperson  
Vice-Chairperson  
Secretary-Treasurer

Andrew Kaldenberg  
Tom Olson  
Dann Snyder  
Blair Van Zetten

Member  
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

Rita Scheiring  
Kevin Stiles

Interim Executive Director     July 2016–October 2016  
Executive Director             October 2016–Indefinite

**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, 2017 and 2016, 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, 2017 and 2016, 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 14, 2018 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

May 14, 2018



Iowa Egg Council  
 Statements of Net Assets  
 June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,221,151	834,645
Accounts receivable	115,389	128,488
Prepaid expenses	10,600	7,325
Total current assets	1,347,140	970,458
Furniture and equipment, net of accumulated depreciation of \$37,071	-	-
<b>Total assets</b>	<b>\$ 1,347,140</b>	<b>970,458</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 398,373	94,400
Compensated absences	12,173	6,727
Contract payable	1,631	-
Total current liabilities	412,177	101,127
Net assets - unrestricted	934,963	869,331
<b>Total liabilities and net assets</b>	<b>\$ 1,347,140</b>	<b>970,458</b>

See notes to financial statements.

**Exhibit B**

## Iowa Egg Council

Statements of Revenues, Expenses and Changes  
in Net Assets

Years ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Assessments	\$ 1,093,486	791,197
American Egg Board funding	9,500	11,823
Miscellaneous	-	31,552
Total revenues	<u>1,102,986</u>	<u>834,572</u>
Operating expenses:		
Salaries	274,527	230,747
Travel and subsistence	59,334	47,699
Office supplies	6,113	3,130
Advertising	130,961	47,007
Other promotional supplies	18,912	17,584
Equipment and maintenance	4,624	2,715
Telephone	7,161	4,812
Rent	35,130	34,815
Insurance	7,567	6,399
Professional services for research activities	9,548	55,177
Egg Council Endowed Professorship	109,583	110,000
Poultry Teaching and Research Facility Utilization	44,000	51,413
Consumer education	11,536	11,240
Promotions	100,507	92,664
Recruiting	58,916	-
Miscellaneous	10,501	14,201
Total expenses	<u>1,038,920</u>	<u>729,603</u>
Operating gain (loss)	64,066	104,969
Non-operating revenues:		
Interest income	1,566	1,328
Changes in net assets	65,632	106,297
Net assets beginning of year	<u>869,331</u>	<u>763,034</u>
Net assets end of year	<u>\$ 934,963</u>	<u>869,331</u>

See notes to financial statements.

## Iowa Egg Council

## Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from assessments	\$ 1,106,585	764,501
Cash paid to suppliers	(202,481)	(382,052)
Cash paid to employees for services	(269,081)	(221,660)
Cash paid to Egg Council Endowed Professorship	(109,583)	(110,000)
Cash paid to the Poultry Teaching and Research Facility	(150,000)	-
Other operating revenues	9,500	43,375
Net cash provided by operating activities	384,940	94,164
Cash flows from investing activities:		
Interest received	1,566	1,328
Net increase in cash and cash equivalents	386,506	95,492
Cash and cash equivalents beginning of year	834,645	739,153
Cash and cash equivalents end of year	\$ 1,221,151	834,645
<b>Reconciliation of operating gain to net cash provided by operating activities:</b>		
Operating gain	\$ 64,066	104,969
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	13,099	(26,696)
(Increase) decrease in prepaid expenses	(3,275)	7,974
Increase in accounts payable	305,604	9,480
Increase (decrease) in compensated absences	5,446	(1,563)
Total adjustments	320,874	(10,805)
Net cash provided by operating activities	\$ 384,940	94,164

See notes to financial statements.

**Iowa Egg Council**

Iowa Egg Council

Notes to Financial Statements

June 30, 2017 and 2016

**(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, 2017 and 2016 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) Furniture and Equipment

Summaries of furniture and equipment for the years ended June 30, 2017 and 2016 are as follows:

	Year ended June 30, 2017			Balance End of Year
	Balance Beginning of Year	Additions	Deductions	
Furniture and equipment	\$ 37,071	-	(37,071)	-
Less accumulated depreciation	(37,071)	-	37,071	-
Furniture and equipment, net	\$ -	-	-	-

	Year ended June 30, 2016			Balance End of Year
	Balance Beginning of Year	Additions	Deductions	
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 provides for the Council to make monthly payments to the Association for these services totaling \$452,188 and \$267,315 for the years ended June 30, 2017 and 2016.

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 \$389,734 and \$308,626 for the years ended June 30, 2017 and 2016, 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 \$899,568 and \$729,605 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 were \$4,033 and \$2,116, respectively.

**(7) Gift Commitments**

In June 2013, the Council made a gift commitment to establish an Iowa Egg Council Endowed Professorship at Iowa State University of Science and Technology's College of Agriculture and Life Sciences. The Council pledged \$550,000 to the Iowa Egg Council Endowed Professorship with the pledge to be completed in equal installments over five years. Total gifts to the Iowa Egg Council Endowed Professorship for the year ended June 30, 2017 were \$109,583. The total cumulative amount paid as of June 30, 2017 is \$439,583.

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.

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.

**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, 2017, and the related Notes to Financial Statements, and have issued our report thereon dated May 14, 2018.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency in internal control described in the accompanying Schedule of Findings to be a material weakness.

### 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 a certain immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Council's operations for the year ended June 30, 2017 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. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The Iowa Egg Council's Responses to the Findings

The Iowa Egg Council's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Iowa Egg Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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

May 14, 2018

Iowa Egg Council  
Schedule of Findings  
Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

Bank Reconciliations

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Iowa Egg Council’s financial statements.

Condition – The same individual who handles or records cash also performs the monthly bank reconciliations. There is no evidence of independent review of the bank reconciliations.

Cause – The Iowa Egg Council has limited number of employees and procedures have not been designed to adequately segregate duties or document compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Iowa Egg Council’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Iowa Egg Council should utilize current personnel to provide additional control through review of reconciliations. Such reviews should be performed by independent persons and should be documented by the reviewer’s signature or initials and the date of review.

Response – We will establish a policy to ensure each monthly bank reconciliation is reviewed by the Executive Director and that he is initialing and dating to indicate his review.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Iowa Egg Council

Schedule of Findings

Year ended June 30, 2017

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

Council Minutes – The Council held five meeting during the fiscal year. One Council meeting was not preceded by proper public notice as required by Chapter 21.4 of the Code of Iowa.

Recommendation – All meetings should be preceded by proper public notice in compliance with Chapter 21.4 of the Code of Iowa.

Response – Iowa Egg Council will follow Chapter 21.4 public notice of conference calls.

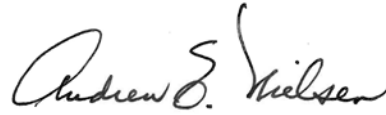
Conclusion – Response accepted.

Iowa Egg Council

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Zachary J. Koziolk, Staff Auditor  
Nicole G. Benson, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State