



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE August 25, 2021

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, 2020 and 2019.

FINANCIAL HIGHLIGHTS:

The Council had revenues of \$1,096,525 and expenses of \$981,545 for the year ended June 30, 2020. This represents a 7.3% increase in revenues and a 0.3% increase in expenses over the year ended June 30, 2019.

AUDIT FINDINGS:

Consistent with the prior year, Sand reported no findings pertaining to the Iowa Egg Council.

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
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019

Iowa Egg Council



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July 29, 2021

Iowa Egg Council
Urbandale, Iowa

To the members of the Iowa Egg Council:

I am pleased to submit to you the financial and compliance audit report for the Iowa Egg Council for the years ended June 30, 2020 and 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". The signature is stylized with a large, looped "R" and a long, sweeping "S".

Rob Sand
Auditor of State

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Iowa Egg Council

Officials

Name

Title

State

Honorable Kim Reynolds
Michael Bousselot
Tim McDermott

Governor
Director, Department of Management
Interim 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. Sue Lamont
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, 2020 and 2019, 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.

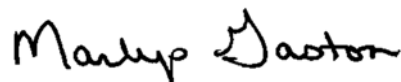
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, 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 July 29, 2021 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

July 29, 2021

Iowa Egg Council

Basic Financial Statements

Iowa Egg Council

Iowa Egg Council
Statements of Net Assets
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,372,909	1,244,807
Accounts receivable	208,139	150,641
Prepaid expenses	14,590	7,412
Total current assets	1,595,638	1,402,860
Property and equipment, net	20,250	-
Total assets	\$ 1,615,888	1,402,860
Liabilities, Deferred Inflows of Resources and Net Assets		
Liabilities:		
Accounts payable	\$ 197,773	82,919
Compensated absences	9,586	8,709
Total liabilities	207,359	91,628
Deferred inflows of resources:		
Other	-	17,683
Net assets - unrestricted	1,408,529	1,293,549
Total liabilities, deferred inflows of resources and net assets	\$ 1,615,888	1,402,860

See notes to financial statements.

Exhibit B

Iowa Egg Council

Statements of Revenues, Expenses and Changes
in Net Assets

Years ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Assessments	\$ 1,066,956	1,126,412
American Egg Board funding	18,000	39,325
Miscellaneous	7,505	15,000
Total revenues	1,092,461	1,180,737
Operating expenses:		
Salaries	224,142	290,878
Travel and subsistence	12,412	32,435
Office supplies	1,759	6,412
Advertising	112,507	111,669
Other promotional supplies	23,714	30,979
Equipment and maintenance	1,817	2,168
Telephone	5,916	6,046
Rent	35,112	35,071
Insurance	3,222	6,427
Professional services for research activities	7,788	55,010
Fall Manure Project	84,454	33,781
Poultry Teaching and Research Facility	187,408	195,000
Consumer education	13,956	30,842
Depreciation	2,250	-
Promotions	118,939	115,964
Contributions/sponsorships	145,000	25,000
Miscellaneous	1,150	1,039
Total expenses	981,545	978,721
Operating gain	110,916	202,016
Non-operating revenues:		
Interest income	4,064	2,610
Changes in net assets	114,980	204,626
Net assets beginning of year	1,293,549	1,088,923
Net assets end of year	\$ 1,408,529	1,293,549

See notes to financial statements.

Iowa Egg Council

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from assessments	\$ 1,009,459	1,119,224
Cash paid to suppliers	(477,752)	(506,652)
Cash paid to employees for services	(223,266)	(292,999)
Cash paid to the Poultry Teaching and Research Facility	(187,408)	(195,000)
Other operating revenues	25,505	54,326
Net cash provided by operating activities	146,538	178,900
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(22,500)	-
Cash flows from investing activities:		
Interest received	4,064	2,610
Net increase in cash and cash equivalents	128,102	181,510
Cash and cash equivalents beginning of year	1,244,807	1,063,297
Cash and cash equivalents end of year	\$ 1,372,909	1,244,807
Reconciliation of operating gain to net cash provided by operating activities:		
Operating gain	\$ 110,916	202,016
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Depreciation	2,250	-
Changes in assets and liabilities:		
Accounts receivable	(57,498)	(7,187)
Prepaid expenses	(7,178)	2,399
Accounts payable	114,854	(33,890)
Deferred inflows of resources	(17,683)	17,683
Compensated absences	877	(2,121)
Total adjustments	35,622	(23,116)
Net cash provided by operating activities	\$ 146,538	178,900

See notes to financial statements.

Iowa Egg Council
Notes to Financial Statements
June 30, 2020 and 2019

(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. The assessment rate is two and one-half cents per thirty dozen eggs (one case).

- 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. Property and Equipment – Property and equipment are capitalized at cost. Expenses for repair and maintenance are charged against operations. The estimated lives for property and equipment range from three to seven years.
- F. Depreciation – Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets.
- G. Income Taxes – The Council is exempt from taxation under Section 501(c) of the Internal Revenue Code.
- 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, 2020 and 2019 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.

The Council's deposits at June 30, 2020 and 2019 consist of cash in bank of \$1,372,909 and \$1,244,807, respectively.

(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 \$718,364 and \$616,090 for the years ended June 30, 2020 and 2019, 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 \$399,391 and \$393,985 for the years ended June 30, 2020 and 2019, 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 \$981,545 and \$978,721 for the years ended June 30, 2020 and 2019, respectively. The amounts paid to the Association are distributed to the appropriate expense classifications in Exhibit B of the financial statements.

(4) Property and Equipment

Property and equipment activity for the year ended June 30, 2020 is as follows:

	Year ended June 30, 2020			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Equipment	\$ -	22,500	-	22,500
Less accumulated depreciation	-	(2,250)	-	(2,250)
Property and equipment, net	\$ -	20,250	-	20,250

(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, 2019 and 2018 were \$4,707 and \$6,949, respectively.

(7) 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, 2020 were \$187,408. The total cumulative amount paid as of June 30, 2020 is \$682,408.

In January 2019 and January 2020, the Council made gift commitments to help fund a fall manure project at Iowa State University of Science and Technology. The Council pledged \$67,563 each year 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 and October 1 of 2019 and 2020. Total gifts for the fall manure project for the year ended June 30, 2020 were \$84,454.

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.

(8) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Iowa Egg Council, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Iowa Egg Council. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably 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, 2020, and the related Notes to Financial Statements, and have issued our report thereon dated July 29, 2021.

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.

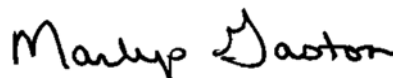
Compliance and Other Matters

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

July 29, 2021

Iowa Egg Council
Schedule of Findings
Year ended June 30, 2020

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
Suzanne R. Dahlstrom, CPA, Manager
Megan A. Waldbillig, Staff Auditor