



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

April 25, 2024

Auditor of State Rob Sand today released an audit report on the Iowa Egg Council for the years ended June 30, 2022 and 2021.

The Iowa Egg Council is responsible for promoting market development for eggs, advancing public relations for the egg industry and administering the assessment on eggs produced in Iowa imposed in Iowa Code Chapter 184.

FINANCIAL HIGHLIGHTS:

The Council had revenues of \$949,118 and expenses of \$804,612 for the year ended June 30, 2022. This represents a 3.1% decrease in revenues and a 1.4% increase in expenses from the year ended June 30, 2021.

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 website at [Audit Reports – Auditor of State](#).

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IOWA EGG COUNCIL
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS
JUNE 30, 2022 AND 2021

Iowa Egg Council



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Rob Sand
Auditor of State

April 3, 2024

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, 2022 and 2021. 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", written in a cursive style.

Rob Sand
Auditor of State

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Iowa Egg Council

Officials

Name

Title

State

Honorable Kim Reynolds
Kraig Paulsen
Tim McDermott

Governor
Director, Department of Management
Director, Legislative Services Agency

Council

Bruce Dooyema
Evan Blom
Brad Hodges
Tom Olson

Chairperson
Vice-Chairperson
Treasurer
Secretary

Rich Hall
Andrew Kaldenberg
Brandon Gibson

Member
Member
Member

Ex Officio Members

Honorable Mike Naig
Dr. Richard Gates
Brad Frisvold

Iowa Department of Agriculture and
Land Stewardship – Secretary of Agriculture
Egg Industry Center
International Marketing Manager,
Iowa Economic Development Authority

Agency

Kevin Stiles

Executive Director



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Independent Auditor's Report

To the Members of the Iowa Egg Council:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Iowa Egg Council, as of and for the years ended June 30, 2022 and 2021, and the related Notes to Financial Statements, which collectively comprise the Iowa Egg Council's basic financial statements listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Iowa Egg Council as of June 30, 2022 and 2021 and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Iowa Egg Council, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Iowa Egg Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Iowa Egg Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2024 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 solely 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 effectiveness of the Board's 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 3, 2024

Iowa Egg Council

Basic Financial Statements

Iowa Egg Council

Iowa Egg Council
 Statements of Net Assets
 June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,811,500	1,505,177
Accounts receivable	204,544	200,271
Prepaid expenses	97,998	8,285
Total current assets	2,114,042	1,713,733
Property and equipment, net	11,250	15,750
Total assets	\$ 2,125,292	1,729,483
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 366,628	124,146
Unearned revenues	5,000	-
Compensated absences	14,628	10,807
Total liabilities	386,256	134,953
Net assets - unrestricted	1,739,036	1,594,530
Total liabilities and net assets	\$ 2,125,292	1,729,483

See notes to financial statements.

Exhibit B

Iowa Egg Council

Statements of Revenues, Expenses and Changes
in Net Assets

Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Assessments	\$ 917,119	926,080
American Egg Board funding	23,168	41,316
Miscellaneous	5,000	8,000
Total revenues	<u>945,287</u>	<u>975,396</u>
Operating expenses:		
Salaries	273,318	229,886
Travel and subsistence	7,325	5,277
Office supplies	2,084	1,948
Advertising	86,300	112,238
Other promotional supplies	8,545	28,229
Equipment and maintenance	3,140	2,807
Telephone	5,280	5,514
Rent	35,535	35,176
Insurance	1,725	1,727
Professional services for research activities	8,123	7,173
Fall Manure Project	67,500	67,532
Poultry Teaching and Research Facility	181,066	150,000
Vet and Diagnostic Fund	-	40,000
Vet Diagnostic Laboratory Building Fund	16,000	16,000
Consumer education	18,049	24,610
Depreciation	4,500	4,500
Promotions	55,485	30,447
Contributions/sponsorships	27,367	30,550
Miscellaneous	3,270	35
Total expenses	<u>804,612</u>	<u>793,649</u>
Operating gain	140,675	181,747
Non-operating revenues:		
Interest income	3,831	4,254
Changes in net assets	144,506	186,001
Net assets beginning of year	<u>1,594,530</u>	<u>1,408,529</u>
Net assets end of year	<u>\$ 1,739,036</u>	<u>1,594,530</u>

See notes to financial statements.

Iowa Egg Council

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from assessments	\$ 912,846	933,948
Cash paid to suppliers	(187,959)	(476,562)
Cash paid to employees for services	(269,497)	(228,665)
Cash paid to the Poultry Teaching and Research Facility	(181,066)	(150,000)
Other operating revenues	28,168	49,293
Net cash provided by operating activities	302,492	128,014
Cash flows from investing activities:		
Interest received	3,831	4,254
Net increase in cash and cash equivalents	306,323	132,268
Cash and cash equivalents beginning of year	1,505,177	1,372,909
Cash and cash equivalents end of year	\$ 1,811,500	1,505,177
Reconciliation of operating gain to net cash provided by operating activities:		
Operating gain	\$ 140,675	181,747
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Depreciation	4,500	4,500
Changes in assets and liabilities:		
Accounts receivable	(4,273)	7,868
Prepaid expenses	(89,713)	6,305
Accounts payable	242,482	(73,627)
Unearned revenue	5,000	-
Compensated absences	3,821	1,221
Total adjustments	161,817	(53,733)
Net cash provided by operating activities	\$ 302,492	128,014

See notes to financial statements.

Iowa Egg Council

Notes to Financial Statements

June 30 2022 and 2021

(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. Unearned Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Unearned revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the Iowa Egg Council has not made a qualifying expenditure. Unearned revenue consists of unspent deposits from the Iowa Poultry Association.

- I. 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, 2022 and 2021 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, 2022 and 2021 consist of cash in bank of \$1,811,500 and \$1,505,177, 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 \$650,000 and \$779,000 for the years ended June 30, 2022 and 2021, 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 \$375,000 and \$341,000 for the years ended June 30, 2022 and 2021, 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 \$804,612 and \$793,649 for the years ended June 30, 2022 and 2021, 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, 2022 is as follows:

	Year ended June 30, 2022			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Equipment	\$ 22,500	-	-	22,500
Less accumulated depreciation	(6,750)	(4,500)	-	(11,250)
Property and equipment, net	\$ 15,750	(4,500)	-	11,250

(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, 2022 and 2021 were \$5,151 and \$2,101, 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. In August 2020, the Council increased its existing \$1,500,000 gift commitment by \$150,000 to \$1,650,000 and extended the Council's original gift commitment by one year with the final payment of \$150,000 to be received by June 30, 2027. Total gifts to the Poultry Teaching and Research Facility for the year ended June 30, 2022 were \$181,066. The total cumulative amount paid as of June 30, 2022 is \$1,013,474.

In August 2020, the Council made a gift commitment of \$80,000 to help fund the construction of the new Veterinary Diagnostic Laboratory Building at Iowa State University of Science and Technology to be paid in five annual installments of \$16,000 with the first payment being made in February 2021. Total gifts to the Veterinary Diagnostic Laboratory Building for the year ended June 30, 2022 were \$16,000. The total cumulative amount paid as of June 30, 2022 is \$32,000.

In January 2021, the Council made a one-year gift commitment of \$67,500 to help fund the fall manure project at Iowa State University of Science and Technology which was paid in total for the year ended June 30, 2022.

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 auditing standards generally accepted in the United States of America 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, 2022, and the related Notes to Financial Statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated April 3, 2024.

Report on 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 (internal control) as a basis for designing audit procedures that are 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 that 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 that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 3, 2024

Iowa Egg Council
Schedule of Findings
Year ended June 30, 2022

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:

Brian R. Brustkern, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Brandon L. Weddell, Staff Auditor