

**AMERICAN EGG BOARD**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
American Egg Board  
Chicago, Illinois

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of American Egg Board (AEB), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, accumulated excess of revenue over expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEB as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AEB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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 AEB's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' 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 auditors' 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 judgment 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 judgment 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 AEB'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AEB'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 Matter***

In connection with our audit, items that came to our attention that caused us to believe AEB failed to comply with certain provisions of the Egg Research and Consumer Information Act (the Act) and the Egg Research and Promotion Order (the Order) related to the use of funds collected by AEB insofar as they relate to accounting matters are noted in the Schedule of Finding, as Findings 2023-001 and 2023-002. Further, in connection with our audit, items that came to our attention that caused us to believe that AEB failed to comply with provisions of Section 5D of the United States Department of Agriculture (USDA) Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs (Guidelines) dated January 2020, are noted in the schedule of Findings, as Findings 2023-001 and 2023-002, insofar as they relate to accounting matters and the following:

- Monetary funds used for the purpose of influencing governmental policy or action.
- Adherence to the Agricultural Marketing Service Investment Policy.
- Internal controls over funds met auditing standards
- Monetary funds used only for projects and other expenses authorized in a budget approved by the USDA.
- Monetary funds used in accordance with the Guidelines referenced above

However, our audit was not directed primarily towards obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding AEB's noncompliance with the above referenced Section 5D of the USDA Guidelines insofar as they relate to accounting matters.

### **Restricted Use Relating to Compliance**

The communication related to compliance with the aforementioned guidelines described in the *Other Matter* paragraph is intended solely for the information and use of the USDA, board of directors, and management of AEB and is not intended to be and should not be used by anyone other than those specified parties.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2024, on our consideration of AEB'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 AEB'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 AEB's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
May 30, 2024

**AMERICAN EGG BOARD**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Cash:		
Undesignated	\$ 1,379,505	\$ 5,670,398
Designated for Programs	500,000	500,000
Certificates of Deposit:		
Undesignated	1,306,050	259,480
Designated for Programs	1,000,000	1,000,000
Designated for Operations	1,000,000	1,000,000
Assessments Receivable, Net	2,695,674	2,849,085
Other Receivables and Assets	450,514	258,515
Right-of-Use Asset:		
Operating	986,104	1,215,988
Prepaid Expenses	148,483	53,209
Office Furniture and Equipment, Net	117,371	162,055
	\$ 9,583,701	\$ 12,968,730
<b>Total Assets</b>		
<b>LIABILITIES AND BOARD EQUITY</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,342,855	\$ 3,210,854
Grants Payable	1,023,100	964,736
Accrued Expenses	383,535	374,334
Lease Liability:		
Operating	1,131,552	1,385,760
Total Liabilities	3,881,042	5,935,684
<b>BOARD EQUITY</b>		
Excess of Revenue Over Expenses:		
Undesignated	3,136,415	4,466,802
Board-Designated:		
Designated for Programs	1,500,000	1,500,000
Designated for Operations	1,000,000	1,000,000
Total Board-Designated - End of Year	2,500,000	2,500,000
Total Accumulated Excess of Revenue Over Expenses	5,636,415	6,966,802
Contributed Capital	66,244	66,244
Total Board Equity	5,702,659	7,033,046
	\$ 9,583,701	\$ 12,968,730
<b>Total Liabilities and Board Equity</b>		

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>		
Assessments	\$ 22,654,312	\$ 22,692,892
Egg Farmers of Canada	72,797	73,185
Sponsorships	146,500	40,500
Interest Income	132,625	25,460
Miscellaneous Income	27,456	205,379
Total Revenue, Gains, and Other Support	23,033,690	23,037,416
<b>EXPENSES</b>		
Operating Expenses:		
Consumer Insights	1,919,324	1,821,077
Egg's Story	9,985,594	10,492,856
Farmer's Story	870,366	2,605,325
Spark Innovation	5,234,783	5,110,896
Checkoff Awareness	5,077,494	2,887,711
Operational Excellence	830,406	454,395
Total Operating Expenses	23,917,967	23,372,260
Management and General Expenses:		
Board Meetings and Administration	163,778	145,809
USDA Administrative Expenses	282,332	275,397
Total Management and General Expenses	446,110	421,206
Total Expenses	24,364,077	23,793,466
<b>EXCESS OF EXPENSES OVER REVENUE</b>	<b>\$ (1,330,387)</b>	<b>\$ (756,050)</b>

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD**  
**STATEMENTS OF ACCUMULATED EXCESS OF REVENUE OVER EXPENSES**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

<b>BALANCE - DECEMBER 31, 2021</b>	\$ 7,722,852
Excess of Expenses Over Revenue	<u>(756,050)</u>
<b>BALANCE - DECEMBER 31, 2022</b>	6,966,802
Excess of Expenses Over Revenue	<u>(1,330,387)</u>
<b>BALANCE - DECEMBER 31, 2023</b>	<u><u>\$ 5,636,415</u></u>

*See accompanying Notes to Financial Statements.*



**AMERICAN EGG BOARD  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of Expenses Over Revenue	\$ (1,330,387)	\$ (756,050)
Adjustments to Reconcile Excess of Expenses Over Revenue to Net Cash Used by Operating Activities:		
Depreciation	44,684	55,424
Amortization of Right-of-Use Asset	229,884	223,779
Realized/Unrealized (Gain) Loss on Operating Investments, Net	(8,374)	-
Reserve for Uncollectible Assessments	(27,035)	(202,075)
(Increase) Decrease in Assets:		
Assessments Receivable	180,446	297,885
Other Receivable and Assets	(191,999)	(62,909)
Prepaid Expenses	(95,274)	42,502
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,867,999)	296,907
Grants Payable	58,364	(391,592)
Accrued Expenses	9,201	222,432
Lease Liability	(254,208)	(243,291)
Net Cash Used by Operating Activities	(3,252,697)	(516,988)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Redemption of Investments	4,871,804	2,990,595
Purchases of Investments	(5,910,000)	(3,000,000)
Net Cash Used by Investing Activities	(1,038,196)	(9,405)
<b>NET DECREASE IN CASH</b>	(4,290,893)	(526,393)
Cash - Beginning of Year	6,170,398	6,696,791
<b>CASH - END OF YEAR</b>	\$ 1,879,505	\$ 6,170,398

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

American Egg Board (AEB), a commodity checkoff organization, was established pursuant to the 1974 Egg Research and Consumer Information Act. The purpose of AEB is to establish an orderly procedure for the development and financing (through adequate fee assessments) of an effective and continuous coordinated program of advertising, promotion, market development, nutrition research, and consumer and producer education for eggs, and egg products.

AEB collects an assessment per case of commercial eggs that are sold from egg producers to egg handlers in the United States. Egg producers with fewer than 75,000 hens are eligible to be exempt, and egg producers that produce eggs for hatching are exempt from the assessment. The handler withholds the assessment from the producer and remits this amount to AEB. The assessment rate is 10 cents per case.

All revenue and expenses of AEB are without donor restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Federal Income Taxes**

AEB is exempt from federal and state taxation under Section 115(a) of the Internal Revenue Code.

**Assessment Receivable**

Handlers report to AEB the number of assessable cases and assessment due for each period. All handlers are subject to audit. Because egg production is fairly stable on a month-to-month basis, assessments receivable is based on each handler's average monthly assessments received for the prior five months that an assessment payment was received. This estimate is then multiplied by the number of months unpaid by the handler if applicable.

The allowance for uncollectible assessments was \$24,828 and \$51,863 at December 31, 2023 and 2022, respectively. Handler reports are due 15 days after the end of the assessment period with payment. A late charge of 1.5% is accrued on delinquent assessments of 30 days or more from the due date. Receivable balances are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. AEB separates accounts receivables into risk pools based on their aging. In determining the amount of the allowance as of December 31, 2023, AEB develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assessment Receivable (Continued)**

Changes in the allowance for credit losses for the year ended December 31, 2023 were as follows:

Balance - Beginning of Year	\$ 51,863
Recoveries	(27,035)
Balance - End of Year	<u>\$ 24,828</u>

**Cash**

AEB considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. AEB did not have any cash equivalents as of December 31, 2023 and 2022. AEB maintains its cash in bank deposit accounts that at times may exceed federally insured limits. AEB has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**Certificates of Deposit**

Investments are recorded at fair value and included brokered certificates of deposit.

AEB is subject to the United States Department of Agriculture's investment policy, which requires all investments to be of a risk-free and short-term (one year or less) nature and be interest-bearing instruments.

**Revenue Recognition**

Reported revenue is based on actual cash collections from handlers plus an estimated net accrual for reporting periods not yet paid. AEB does not have contracts with handlers, and revenue is based on a standard for all handlers with over 75,000 hens. As such, the handlers remit 10 cents per case of eggs produced, and this amount is unknown until the revenue is collected. There is no transfer of a good or service by the AEB at the time of the transaction; therefore, the timing of satisfaction, allocation of revenue, payment terms, promises to transfer services, or warranties are all irrelevant to the transaction and revenue recognition.

**Office Furniture and Equipment**

Office furniture and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line basis.

**Leases**

AEB leases its office facilities under an operating lease that expires in December 2027. AEB determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

ROU assets represent AEB's right to use an underlying asset for the lease term and lease liabilities represent AEB's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, AEB uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that AEB will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. AEB has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

**Grants Payable**

Grants Payable represent all unconditional grants and contributions that have been authorized prior to year-end but remain unpaid as of the statement of financial position date. Conditional awards are expense and considered payable in the period the conditions are substantially satisfied.

**Classification of Board Equity**

Board equity of AEB is classified based on the presence or absence of donor-imposed restrictions limiting AEB's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

*Board Equity Without Donor Restrictions* – Board equity that is not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Equity in this category may be expended for any purpose in performing the primary objectives of AEB.

**Concentration**

AEB uses major vendors for advertising, public relations, and media. For the year ended December 31, 2023, approximately 37% of all purchases were from two major vendors.

**Advertising and Promotion Expenses**

AEB conducts advertising on national television and radio and online in order to increase awareness of the benefits of egg consumption. AEB also engages in public relations efforts in order to strengthen the reputation of eggs and position eggs as nutritious, convenient, and affordable. AEB's policy is to expense these costs as incurred.

**Functional Allocation of Expenses**

Costs of providing the program and support services have been reported in Note 8 and the statement of activities on a functional basis. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Standard**

At the beginning of 2023, AEB adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. AEB adopted this new guidance utilizing the modified retrospective transition method. AEB adopted the requirements of the guidance effective January 1, 2023. Adoption of this standard had no impact on AEB's financial statements.

**Subsequent Events**

The financial statements have been evaluated through May 30, 2024, which is the date the financial statements were available to be issued.

**NOTE 2 OFFICE FURNITURE AND EQUIPMENT**

The estimated useful lives of office furniture and equipment are as follows:

Furniture and Fixtures	5 to 20 Years
Computer Equipment	5 Years

Office furniture and equipment are summarized as follows:

	2023	2022
Computer Equipment	\$ 191,975	\$ 191,975
Furniture and Fixtures	332,983	332,983
Software	40,892	40,892
Leasehold Improvements	61,532	61,532
Total at Cost	627,382	627,382
Less: Accumulated Depreciation	510,011	465,327
Office Furniture and Equipment, Net	\$ 117,371	\$ 162,055

Depreciation and amortization expense for 2023 and 2022 was \$44,684 and \$55,424, respectively.

**NOTE 3 DEFINED CONTRIBUTION RETIREMENT PLAN**

The employer profit-sharing plan contributes, every pay period, 9% of the employee's compensation, and the employee is automatically enrolled after meeting eligibility requirements. The employer match on elective deferrals is 40% of the employee elective deferral, not to exceed 5% of compensation of the employee for each payroll. Employees are eligible to participate in the plan after six months of service. Contributions to the plan totaled \$338,609 and \$277,219 for the years ended December 31, 2023 and 2022, respectively.

**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 4 FAIR VALUE MEASUREMENTS**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about AEB’s assets measured at fair value on a recurring basis at December 31, 2023, and the valuation techniques used by AEB to determine those fair values.

*Level 1* – Quoted prices in active markets for identical assets that AEB has the ability to access.

*Level 2* – Other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

*Level 3* – Unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. AEB’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets measured at fair value on a recurring as of December 31, 2023 and 2022, are as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	<u>\$ -</u>	<u>\$ 3,306,050</u>	<u>\$ -</u>	<u>\$ 3,306,050</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	<u>\$ -</u>	<u>\$ 2,259,480</u>	<u>\$ -</u>	<u>\$ 2,259,480</u>

Certificates of deposit are brokered through various financial institutions and are purchased and sold without a penalty, unless redeemed early. They are valued at original cost. The total approximates fair value based on rates available for similar instruments as of December 31, 2023 and 2022.

AEB’s policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. During the years ended December 31, 2023 and 2022, there were no transfers between Levels 1, 2, and 3.

**AMERICAN EGG BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 5 OPERATING LEASES – ASC 842**

AEB elected to apply the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available.

AEB leases its office facilities under an operating lease that expires in December 2027. Total rent expense under this operating lease was \$261,132 for the years ended December 31, 2023 and 2022, respectively. The minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 290,260
2025	295,070
2026	299,882
2027	304,694
Total	1,189,906
Less: Amount Representing Interest at 2.46%	(58,354)
Present Value of Net Minimum Lease Payments	<u>\$ 1,131,552</u>

The following table provides quantitative information concerning AEB's lease accounted for under FASB ASC 842:

Lease Costs:	
Operating Lease Costs	\$ 261,132
Other Information:	
Operating Cash Flows from Operating Leases	285,453
Weighted-Average Remaining Lease Term - Operating Leases	4 Years
Weighted-Average Discount Rate - Operating Leases	1.50%

Subsequent to year-end, AEB entered into a sublease agreement with CHC Wellbeing, Inc., as the sublessor starting February 1, 2024, through the expiration of the lease in December 2027. In addition, AEB entered into a sublease agreement with Dairy Management, Inc., as subtenant commencing May 1, 2024, through October 31, 2024.

**NOTE 6 LIQUIDITY**

The following reflects AEB's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>
Cash on Hand	\$ 1,379,505	\$ 5,670,398
Assessments Receivable, Net	2,695,674	2,849,085
Certificates of Deposit - Undesignated	<u>1,306,050</u>	<u>259,480</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,381,229</u>	<u>\$ 8,778,963</u>

**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 6 LIQUIDITY (CONTINUED)**

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

AEB has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet the needs of normal operating expenses. AEB has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, AEB invests cash in excess of daily requirements in short-term investments, including certificates of deposit.

AEB also realizes there could be unanticipated liquidity needs.

**NOTE 7 ASSESSMENT REVENUE AND RECEIVABLES**

At December 31, assessment receivables consisted of the following amounts:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assessment Receivable	<u>\$ 2,695,674</u>	<u>\$ 2,849,085</u>	<u>\$ 2,944,895</u>

**NOTE 8 FUNCTIONAL EXPENSES**

AEB provides various services to its members. Expenses related to providing these services are as follows for the year ended December 31, 2023:



**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 8 FUNCTIONAL EXPENSES (CONTINUED)**

	Program	Management and General	Total
Board Meetings	\$ 921,051	\$ -	\$ 921,051
Consumer Insights	1,376,772	-	1,376,772
Depreciation	43,454	1,230	44,684
Outreach	6,771,120	-	6,771,120
Industry Engagement	1,855,889	-	1,855,889
Information Technology	147,009	4,157	151,166
Miscellaneous Expense	96,996	238	97,234
Nutrition Research	1,883,579	-	1,883,579
Office Supplies and Expenses	78,360	2,216	80,576
Payroll Tax and Fringe Benefits	857,154	24,238	881,392
State Promotional Grants	374,834	-	374,834
Operational Excellence	573,313	-	573,313
Postage	3,575	101	3,676
Professional Fees	395,166	11,174	406,340
Rent	253,951	7,181	261,132
Innovation Initiatives	3,968,037	-	3,968,037
Taxes, Licenses, and Insurance	45,150	1,277	46,427
Travel	218,275	6,172	224,447
USDA Expense	-	282,332	282,332
Wages	3,737,943	105,700	3,843,643
Website	313,048	-	313,048
Investment Fees	3,292	93	3,385
Total	<u>\$ 23,917,968</u>	<u>\$ 446,109</u>	<u>\$ 24,364,077</u>

Expenses related to providing these services are as follows for the year ended December 31, 2022:

**AMERICAN EGG BOARD  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 8 FUNCTIONAL EXPENSES (CONTINUED)**

	Program	Management and General	Total
Board Meetings	\$ 646,870	\$ -	\$ 646,870
Consumer Insights	1,396,901	-	1,396,901
Depreciation	53,900	1,524	55,424
Outreach	7,426,837	-	7,426,837
Industry Engagement	1,320,742	-	1,320,742
Information Technology	200,364	5,666	206,030
Miscellaneous Expense	43,130	158	43,288
Nutrition Research	2,359,563	-	2,359,563
Office Supplies and Expenses	129,353	3,658	133,011
Payroll Tax and Fringe Benefits	709,578	20,065	729,643
State Promotional Grants	548,944	-	548,944
Operational Excellence	284,360	-	284,360
Postage	2,523	71	2,594
Professional Fees	667,620	18,879	686,499
Rent	253,951	7,181	261,132
Innovation Initiatives	3,997,433	-	3,997,433
Taxes, Licenses, and Insurance	47,858	1,353	49,211
Travel	171,053	4,837	175,890
USDA Expense	-	275,397	275,397
Wages	2,914,548	82,417	2,996,965
Website	196,732	-	196,732
Total	<u>\$ 23,372,260</u>	<u>\$ 421,206</u>	<u>\$ 23,793,466</u>

The costs of providing the program and support services are reported on a functional basis. Most expenses are directly expensed to program and support services. Certain costs, such as depreciation, information technology, rent, and licenses and insurance are allocated between the program and support services based upon headcount. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amount.



**INDEPENDENT AUDITORS' 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**

Management and Board of Directors  
American Egg Board  
Chicago, Illinois

We have audited, in accordance with the 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 American Egg Board (AEB), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, excess of expenses over revenues, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered AEB'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 AEB's internal control. Accordingly, we do not express an opinion on the effectiveness of AEB's internal control.

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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We considered the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether AEB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance 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 noncompliance or other matters that are required to be reported under United States *Government Auditing Standards*.

***AEB's Response to Findings***

Government Auditing Standards requires the auditor to performed limited procedures on AEB's response in the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. AEB's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion in the response.

***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Oakbrook, Illinois  
May 30, 2024

**AMERICAN EGG BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?   x   yes            no
  - Significant deficiency(ies) identified?   x   yes            none reported
3. Noncompliance material to financial statements noted?            yes   x   no

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**Section II – Financial Statement Findings**

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**2023–001 – Corrected Misstatements**

**Type of Finding:**

Material Weakness in Internal Control over Financial Reporting

**Condition:**

Misstatements in the accounting records were detected as a result of audit procedures performed. Adjustments were posted by management to correct misstatements.

**Criteria:**

An organization’s system of internal control should include policies and procedures to provide management with reasonable assurance that year-end financial reporting is accurate and in accordance with accounting principles generally accepted in the United States of America.

**Context:**

Adjustments were made to correct misstatements related to accrued interest asset, assessment receivable, assessment income, and expenses. The effect of these two adjustments were an increase to the change in net assets by \$238,736.

**Effect:**

Inaccurate financial reporting could adversely affect the decision making process for the management of AEB.

**Cause:**

Assessment Revenue items that were thought to be included in the Assessment Receivable report as of year-end, therefore, removed from Assessment Revenue at year-end. However, items were not included in the Assessment Receivable Report, therefore, improperly excluded from Assessment Revenue.

**AMERICAN EGG BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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***Section II – Financial Statement Findings (Continued)***

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**2023–001 – Corrected Misstatements (Continued)**

**Recommendation:**

We recommend that management follow their established procedures of reconciling account balances in a timely manner and that all accounts are analyzed and adjusted prior to the start of audit fieldwork.

**Management’s Response and Corrective Action Plan:**

AEB accepts this finding. As of January 1, 2024, and upon consultation with the audit firm, AEB has revised the postings of investment activities accordingly. Also, AEB has evaluated internal processes and will incorporate a change to the assessment collection process where all incoming hard-copy payments will be received and entered through a lockbox. This change will eliminate a manual task in the collection process, thereby ensuring accurate date records of when specific payments are received.

**Responsible party:** Mike Koenigs

**Planned completion date for corrective action plan:** July 1, 2024

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***Section III – Compliance Findings***

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**2023–002 – Contracts**

**Type of Finding:**

Significant Deficiency in Internal Control over Compliance and Other Matters

**Criteria:**

AEB is required to follow the USDA Guidelines which notes specific requirement surrounding contracts. AEB may enter into a variety of contracts, including for projects, consultation, services, and administration, and boards can select contractors based on a variety of factors and criteria including but not limited to cost, skills, timeliness, and experience. The provisions of all contracts must be compliant with the board’s Act, Order, and USDA policies and guidance.

**Condition:**

In testing the requirements of the USDA Guidelines, we noted that per AEB’s documented contract/project brief process, all agreements/project briefs/SOW should be sent to legal for review.

**Context:**

Through audit procedures performed, we noted there were two of the ten contracts we selected for testing not sent to legal for review.

**Effect:**

Noncompliance with the USDA Guidelines.

**Cause:**

AEB staff oversight.

**AMERICAN EGG BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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***Section III – Compliance Findings (Continued)***

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**2023–002 – Contracts (Continued)**

**Recommendation:**

We recommend that current policies and procedures in place be followed to ensure all contracts are sent to legal for review.

**Management’s Response and Corrective Action Plan:**

AEB accepts this finding. AEB leadership has met with staff responsible for these actions. AEB will conduct a subsequent training of all staff and will consider whether improvements should be made to AEB’s current policies and procedures.

**Responsible party:** Mike Koenigs

**Planned completion date for corrective action plan:** July 1, 2024



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