

March 5, 2021

To the Executive Committee
American Egg Board

We have audited the financial statements of American Egg Board (the "Organization") as of and for the year ended December 31, 2020 and have issued our report thereon dated March 5, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 10, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the Organization's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Organization, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated March 5, 2021 regarding our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 10, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was the method of calculating assessment revenue and receivable. Management's estimate of 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. American Egg Board has recorded an allowance for uncollectible assessments of \$104,000 as of December 31, 2020.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of revenue recognition in Note 2 to the financial statements. Reported revenue is based on actual cash collections from handlers plus an estimated net accrual for reporting periods not yet paid.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our accounts receivable testing, we identified a potential overstatement of the assessment revenue and receivable balances. Upon further review, management obtained a payment plan for one account that was significantly past due and recorded a reserve for uncollectible assessments in the amount of \$104,000.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 5, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters for Consideration

During our audit, it came to our attention that the Organization does not have a written whistleblower policy that employees can use to confidentially report instances or suspected instances of fraud or abuse or a fixed asset capitalization and useful life policy. As a best practice, we recommend that the Organization adopt a whistleblower policy and communicate it to its employees. We further recommend that the Organization develop and implement a fixed asset capitalization and useful life policy.

This information is intended solely for the use of the executive committee and management of American Egg Board and the U.S. Department of Agriculture (USDA) and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Toni Diprizio". The signature is written in a cursive, slightly slanted style.

Toni Diprizio, CPA
Partner

Report of Independent Public Accountants on Compliance

To the Board of Directors
American Egg Board

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, the statement of financial position of American Egg Board (AEB) as of December 31, 2020 and the related statements of activities, accumulated excess of revenue over expenses, and cash flows for the year then ended, and have issued our report thereon dated March 5, 2021.

In connection with our audit, other than Finding 2020-01 described below, nothing came to our attention that caused us to believe that American Egg Board failed to comply with provisions of Section 5D of the U.S. Department of Agriculture (USDA) Guidelines for Agricultural Marketing Service Oversight of Commodity Research and Promotion Programs (the "Guidelines") dated January 2020, 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 monetary funds meeting auditing standards
- Monetary funds used only for projects and other expenses authorized in the budget approved by the USDA
- Monetary funds used in accordance with the Guidelines referenced above

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Finding 2020-01: In our review of travel reimbursements, for one individual reimbursement, no formal reimbursement form, approval, or receipt support was able to be provided by AEB.

The purpose of this report is solely to describe the compliance described above and the results of that testing and not to provide an opinion on the effectiveness on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AEB's compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

March 5, 2021

American Egg Board

**Financial Report
with Supplemental Information
December 31, 2020**

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Independent Auditor's Report

To the Board of Directors
American Egg Board

Report on the Financial Statements

We have audited the accompanying financial statements of American Egg Board (AEB), which comprise the statement of financial position as of December 31, 2020 and 2019 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits 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 entity'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 entity'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 that 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 financial position of American Egg Board as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
American Egg Board

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021 on our consideration of American Egg Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 American Egg Board's internal control over financial reporting and compliance.

Plante & Moran, PLLC

March 5, 2021

Statement of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 2,081,285	\$ 1,247,878
Certificates of deposit:		
Undesignated	1,018,564	3,230,043
Designated for programs	1,500,000	1,500,000
Designated for operations	1,000,000	1,000,000
Assessments receivable - Net	3,032,269	2,947,040
Other receivables and assets	173,048	156,003
Right-of-use asset	1,657,720	1,878,846
Prepaid expenses	233,439	279,043
Other furniture and equipment - Net	240,979	281,384
	<u>\$ 10,937,304</u>	<u>\$ 12,520,237</u>
Liabilities and Board Equity		
Liabilities		
Accounts payable	\$ 4,076,751	\$ 2,737,329
Accrued expenses	277,558	502,246
Lease liability	1,861,687	2,083,929
	<u>6,215,996</u>	<u>5,323,504</u>
Board Equity		
Excess of revenue over expenses:		
Undesignated	2,155,064	4,630,489
Board designated - End of year:		
Designated for programs	1,500,000	1,500,000
Designated for operations	1,000,000	1,000,000
	<u>2,500,000</u>	<u>2,500,000</u>
Total board designated - End of year	2,500,000	2,500,000
Total accumulated excess of revenue over expenses	4,655,064	7,130,489
Contributed capital	66,244	66,244
	<u>4,721,308</u>	<u>7,196,733</u>
	<u>\$ 10,937,304</u>	<u>\$ 12,520,237</u>

Statement of Activities

Years Ended December 31, 2020 and 2019

	2020	2019
Changes in Board Equity		
Revenue, gains, and other support:		
Sponsorships (without donor restrictions)	\$ 50,000	\$ 45,000
Conference and meetings (without donor restrictions)	-	65,500
Assessments	23,495,297	24,681,473
Interest income	58,999	250,058
Egg Farmers of Canada	72,971	74,350
Total revenue, gains, and other support	23,677,267	25,116,381
Expenses:		
Operating expenses:		
Consumer marketing	12,068,009	15,024,968
Food service	4,660,333	3,948,252
Nutrition	4,216,064	4,238,929
Special projects	1,067,245	116,664
State support	261,012	618,394
Industry programs	273,576	540,418
Egg product marketing	1,192,386	1,413,225
Eggs in school	620,410	783,486
Exports	584,342	1,010,482
Total operating expenses	24,943,377	27,694,818
Management and general expenses:		
Administration	853,402	955,521
Board meetings	17,995	367,009
USDA administrative expenses	337,918	277,019
Total management and general expenses	1,209,315	1,599,549
Total expenses	26,152,692	29,294,367
Excess of Expenses Over Revenue	\$ (2,475,425)	\$ (4,177,986)

American Egg Board

Statement of Accumulated Excess of Revenue Over Expenses

Years Ended December 31, 2020 and 2019

Balance - January 1, 2019	\$ 11,308,475
Excess of expenses over revenue	<u>(4,177,986)</u>
Balance - December 31, 2019	7,130,489
Excess of expenses over revenue	<u>(2,475,425)</u>
Balance - December 31, 2020	<u><u>\$ 4,655,064</u></u>

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Excess of expenses over revenue	\$ (2,475,425)	\$ (4,177,986)
Adjustments to reconcile excess of expenses over revenue to net cash from operating activities:		
Depreciation	49,745	51,619
Amortization of right-of-use asset	221,126	198,251
Reserve for uncollectible assessments	104,000	-
Changes in operating assets and liabilities that (used) provided cash:		
Assessments receivable	(189,229)	266,552
Other receivable and assets	(17,045)	18,628
Prepaid expenses	45,604	(33,703)
Accounts payable	1,339,422	(979,397)
Accrued expenses	(224,688)	316,921
Lease liability	<u>(222,242)</u>	<u>(212,099)</u>
Net cash used in operating activities	(1,368,732)	(4,551,214)
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(9,340)	(16,921)
Proceeds from redemption of investments	2,333,738	5,372,457
Purchases of investments	<u>(122,259)</u>	<u>(845,000)</u>
Net cash provided by investing activities	<u>2,202,139</u>	<u>4,510,536</u>
Net Increase (Decrease) in Cash	833,407	(40,678)
Cash - Beginning of year	<u>1,247,878</u>	<u>1,288,556</u>
Cash - End of year	<u><u>\$ 2,081,285</u></u>	<u><u>\$ 1,247,878</u></u>
Statement of Financial Position Classification of Cash	<u><u>\$ 2,081,285</u></u>	<u><u>\$ 1,247,878</u></u>

Note 1 - 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, egg products, spent fowl, and products of spent fowl.

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.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Receivable balances are written off upon the approval of the executive committee and the U.S. Department of Agriculture (USDA). The allowance for uncollectible assessments was \$104,000 and \$0 at December 31, 2020, and 2019, respectively. Handler reports are due 15 days after the end of the assessment period with payment. A late charge of 1.5 percent is accrued on delinquent assessments of 30 days or more from the due date.

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, 2020 and 2019. 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.

December 31, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

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.

Right-of-use Asset and Lease Liability

AEB's right-of-use asset and related lease liability are recorded based on the present value of the minimum lease payments for the office facilities disclosed in Note 6. The right-of-use asset is being amortized over the life of the lease.

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.

Board equity with donor restrictions: Equity subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of AEB or by the passage of time. Other donor restrictions can be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. AEB does not currently have any equity restricted by a donor.

Earnings, gains, and losses on board equity with donor restrictions are classified as board equity without donor restrictions unless specifically restricted by the donor or by applicable state law.

Concentration

AEB uses three major vendors for advertising, public relations, and media. For the years ended December 31, 2020 and 2019, approximately 33 and 32 percent, respectively, of all purchases was from one major vendor.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. AEB had declines in assessments revenue that were offset by reductions in marketing expenses. While AEB's results of operations, cash flows, and financial condition were not significantly impacted, the extent of any future impact cannot be reasonably estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 5, 2021, which is the date the financial statements were available to be issued.

Note 3 - Office Furniture and Equipment

Office furniture and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Furniture and fixtures	\$ 385,975	\$ 385,975	5-20
Computer equipment	212,276	202,935	5
Total cost	598,251	588,910	
Accumulated depreciation - Furniture and fixtures	357,272	307,526	
Net property and equipment	<u>\$ 240,979</u>	<u>\$ 281,384</u>	

Depreciation and amortization expense for 2020 and 2019 was \$49,745 and \$51,619, respectively.

Note 4 - Defined Contribution Retirement Plan

The employer profit-sharing plan contributes, every pay period, 9 percent of the employee's compensation, and the employee is automatically enrolled after meeting eligibility requirements. The employer match on elective deferrals is 40 percent of the employee elective deferral, not to exceed 5 percent 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 \$198,545 and \$231,126 for the years ended December 31, 2020 and 2019, respectively.

Note 5 - 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, 2020 and 2019 and the valuation techniques used by AEB to determine those fair values.

December 31, 2020 and 2019

Note 5 - Fair Value Measurements (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that AEB has the ability to access.

Fair values determined by Level 2 inputs use 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 inputs are 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 Basis
at December 31, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
Certificates of deposit	\$ -	\$ 3,518,564	\$ -	\$ 3,518,564

Assets Measured at Fair Value on a Recurring Basis
at December 31, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Certificates of deposit	\$ -	\$ 5,730,043	\$ -	\$ 5,730,043

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, 2020 and 2019.

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, 2020 and 2019, there were no transfers between Levels 1, 2, and 3.

Note 6 - Operating Leases

AEB leases its office facilities under an operating lease that expires in December 2027. The minimum lease payments for the years ending December 31 are as follows:

Years Ending December 31	Amount
2021	\$ 275,831
2022	280,642
2023	285,453
2024	290,264
2025	295,075
Thereafter	<u>604,581</u>
Total	2,031,846
Less amount representing interest at 2.46 percent	<u>(170,159)</u>
Present value of net minimum lease payments	<u>\$ 1,861,687</u>

AEB paid \$271,020 and \$266,209 on the operating lease agreement during the years ended December 31, 2020 and 2019, respectively.

Note 7 - Liquidity

The following reflects AEB's financial assets as of December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash on hand	\$ 2,081,285	\$ 1,247,878
Assessments receivable - Net	3,032,269	2,947,040
Certificates of deposit - Undesignated	<u>1,018,564</u>	<u>3,230,043</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,132,118</u>	<u>\$ 7,424,961</u>

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.

December 31, 2020 and 2019

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, 2020:

	Program	Management and General	Total
Advertising and marketing	\$ 10,173,396	\$ -	\$ 10,173,396
Board meetings	8,898	17,995	26,893
Commercial market development	2,410,565	-	2,410,565
Consumer market development	1,436,924	-	1,436,924
Depreciation	32,832	16,913	49,745
Industry communications	613,070	-	613,070
Information technology	178,313	91,858	270,171
International market development	584,342	-	584,342
Miscellaneous expense	11,293	5,339	16,632
Nutrition	1,229,351	-	1,229,351
Office supplies and expenses	13,672	6,618	20,290
Payroll tax and fringe benefits	599,559	71,719	671,278
Postage	7,067	6,908	13,975
Professional fees	416,459	212,312	628,771
Rent	172,347	88,785	261,132
Research grants	2,032,055	-	2,032,055
Reserve for uncollectible assessments	-	104,000	104,000
State marketing program	261,012	-	261,012
Taxes, licenses, and insurance	6,882	3,545	10,427
Travel	62,641	8,745	71,386
USDA expense	-	337,918	337,918
Wages	2,117,236	234,331	2,351,567
Website	2,575,463	2,329	2,577,792
Total	\$ 24,943,377	\$ 1,209,315	\$ 26,152,692

December 31, 2020 and 2019

Note 8 - Functional Expenses (Continued)

Expenses related to providing the services are as follows for the year ended December 31, 2019:

	Program	Management and General	Total
Advertising and marketing	\$ 14,036,357	\$ -	\$ 14,036,357
Board meetings	128,258	238,756	367,014
Commercial market development	1,849,669	-	1,849,669
Consumer market development	1,863,021	-	1,863,021
Depreciation	36,438	15,181	51,619
Industry communications	576,001	-	576,001
Information technology	110,284	45,948	156,232
International market development	1,010,482	-	1,010,482
Miscellaneous expense	14,717	6,132	20,849
Nutrition	1,183,253	-	1,183,253
Office supplies and expenses	113,168	36,970	150,138
Payroll tax and fringe benefits	459,847	272,953	732,800
Postage	25,726	1,425	27,151
Professional fees	103,896	360,783	464,679
Rent	184,333	76,799	261,132
Research grants	2,086,486	-	2,086,486
State marketing program	616,792	-	616,792
Taxes, licenses, and insurance	18,268	7,610	25,878
Travel	213,234	-	213,234
USDA expense	-	277,019	277,019
Wages	2,266,159	247,118	2,513,277
Website	798,429	12,855	811,284
Total	\$ 27,694,818	\$ 1,599,549	\$ 29,294,367

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 amounts.

Supplemental Information

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*

Independent Auditor's Report

To Management and the Board of Directors
American Egg Board

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 American Egg Board (AEB), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, accumulated excess of revenue over expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 5, 2021.

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.

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 AEB'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 first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Findings 2020-001 and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AEB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 *Government Auditing Standards*.

AEB's Responses to Findings

AEB's responses to the findings identified in our audit are described in the accompanying schedule of findings. AEB'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.

To Management and the Board of Directors
American Egg Board

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 AEB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AEB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

March 5, 2021

Section II - Financial Statement Audit Findings

Reference Number	Finding
2020-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - AEB should maintain supporting documents for accounting cycle transactions.</p> <p>Condition - Alternative procedures needed to be performed when source documentation was not readily available for testing during fieldwork.</p> <p>Context - This resulted in the audit team being delayed in performance of the audit. AEB staff had to reach out to third parties to obtain copies to support certain audit samples.</p> <p>Cause - Due to turnover in the accounting department, the processing and filing of source documents was performed by various staff, and certain items could not be located on a timely basis for testing.</p> <p>Effect - Certain source documentation needed to be provided by customers and vendors to complete the necessary testing.</p> <p>Recommendation - Once staff are approved to be back in the office on a regular basis, all hard copy documents should be organized and filed. Electronic documentation should be maintained in a file structure that will enhance AEB's ability to access that information if needed.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the recommendation and will implement the corrective action in 2021. For context, during the applicable audit period the following changes occurred in AEB's management structure. In November 2019, the chief executive officer announced that she would be leaving, and she left in March 2020. The AEB board immediately implemented a process to retain a new CEO, and the AEB chairman served in an interim CEO capacity while the search was ongoing. However, factors such as the COVID-19 pandemic, coupled with exercising the required due diligence, created a situation where AEB operated without a staff CEO from March 2020 through May 2020. The new CEO was hired on June 8, 2020. The AEB finance director's employment with AEB ended in October 2020. She had been in that position for approximately three years. Additionally, the AEB finance coordinator's employment ended in November 2020. AEB had recently hired a financial consultant in September 2020 to help manage AEB's finance department in the interim while a permanent staffing structure is finalized.</p>

Schedule of Findings (Continued)

Year Ended December 31, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-002	<p>Finding Type - Significant deficiency</p> <p>Criteria - The Organization should have a formal review process for assessments receivable, as well as a related allowance for doubtful accounts.</p> <p>Condition - A significant amount of aged receivables beyond 90 days was identified in the initial assessments receivable listing provided.</p> <p>Context - This resulted in accounts receivable and revenue overstatements at year end.</p> <p>Cause - Due to turnover in the accounting department, the process of reviewing and assessing aged accounts receivable balances was not performed.</p> <p>Effect - Upon further review, the Organization obtained a payment plan for an account that was significantly past due and recorded an adjusting journal entry to reflect a reserve for uncollectible assessments receivable.</p> <p>Recommendation - Perform collectibility analysis and implement a process to assess the receivable balance on a monthly balance. Implement a process to provide for an allowance for doubtful accounts and perform periodic updates as part of the monthly collectibility analysis.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the recommendation and will implement the corrective action in 2021. For context, during the applicable audit period, the following changes occurred in AEB's management structure. In November 2019, the chief executive officer announced that she would be leaving, and she left in March 2020. The AEB board immediately implemented a process to retain a new CEO, and the AEB chairman served in an interim CEO capacity while the search was ongoing. However, factors such as the COVID-19 pandemic, coupled with exercising the required due diligence, created a situation where AEB operated without a staff CEO from March 2020 through May 2020. The new CEO was hired on June 8, 2020. The AEB finance director's employment with AEB ended in October 2020. She had been in that position for approximately three years. Additionally, the AEB finance coordinator's employment ended in November 2020. AEB had recently hired a financial consultant in September 2020 to help manage AEB's finance department in the interim while a permanent staffing structure is finalized.</p>