

AMERICAN EGG BOARD
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2022 AND 2021



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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, 2022 and 2021, 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, 2022 and 2021, 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, nothing 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, 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 April 25, 2023, 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
April 25, 2023

**AMERICAN EGG BOARD
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Cash:		
Undesignated	\$ 5,670,398	\$ 6,196,791
Designated for Programs	500,000	500,000
Certificates of Deposit:		
Undesignated	259,480	250,075
Designated for Programs	1,000,000	1,000,000
Designated for Operations	1,000,000	1,000,000
Assessments Receivable, Net	2,849,085	2,944,895
Other Receivables and Assets	258,515	195,606
Right-of-Use Asset:		
Operating	1,215,988	1,439,767
Prepaid Expenses	53,209	95,711
Office Furniture and Equipment, Net	162,055	217,479
Total Assets	\$ 12,968,730	\$ 13,840,324
LIABILITIES AND BOARD EQUITY		
LIABILITIES		
Accounts Payable	\$ 3,210,854	\$ 2,913,947
Grants Payable	964,736	1,356,328
Accrued Expenses	374,334	151,902
Lease Liability:		
Operating	1,385,760	1,629,051
Total Liabilities	5,935,684	6,051,228
BOARD EQUITY		
Excess of Revenue Over Expenses:		
Undesignated	4,466,802	5,222,852
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	6,966,802	7,722,852
Contributed Capital	66,244	66,244
Total Board Equity	7,033,046	7,789,096
Total Liabilities and Board Equity	\$ 12,968,730	\$ 13,840,324

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE, GAINS, AND OTHER SUPPORT		
Assessments	\$ 22,692,892	\$ 23,603,366
Egg Farmers of Canada	73,185	79,177
Sponsorships	40,500	8,500
Interest Income	25,460	3,507
Miscellaneous Income	205,379	141,676
Total Revenue, Gains, and Other Support	<u>23,037,416</u>	<u>23,836,226</u>
EXPENSES		
Operating Expenses:		
Consumer Insights	1,821,077	1,408,505
Egg's Story	10,492,856	10,019,854
Farmer's Story	2,605,325	2,875,868
Spark Innovation	5,110,896	2,381,717
Checkoff Awareness	2,887,711	1,251,482
Operational Excellence	454,395	1,003,557
Total Operating Expenses	<u>23,372,260</u>	<u>18,940,983</u>
Management and General Expenses:		
Board Meetings and Administration	145,809	264,577
USDA Administrative Expenses	275,397	264,972
Total Management and General Expenses	<u>421,206</u>	<u>529,549</u>
Total Expenses	<u>23,793,466</u>	<u>19,470,532</u>
EXCESS OF EXPENSES OVER REVENUE	<u>\$ (756,050)</u>	<u>\$ 4,365,694</u>

See accompanying Notes to Financial Statements.

AMERICAN EGG BOARD
STATEMENTS OF ACCUMULATED EXCESS OF REVENUE OVER EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

BALANCE - DECEMBER 31, 2020	\$ 3,357,158
Excess of Expenses Over Revenue	<u>4,365,694</u>
BALANCE - DECEMBER 31, 2021	7,722,852
Excess of Expenses Over Revenue	<u>(756,050)</u>
BALANCE - DECEMBER 31, 2022	<u><u>\$ 6,966,802</u></u>

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Expenses Over Revenue	\$ (756,050)	\$ 4,365,694
Adjustments to Reconcile Excess of Expenses Over Revenue to Net Cash Provided (Used) by Operating Activities:		
Depreciation	55,424	52,631
Amortization of Right-of-Use Asset	223,779	217,953
Reserve for Uncollectible Assessments	(202,075)	149,935
(Increase) Decrease in Assets:		
Assessments Receivable	297,885	(62,561)
Other Receivable and Assets	(62,909)	(22,558)
Prepaid Expenses	42,502	137,728
Increase (Decrease) in Liabilities:		
Accounts Payable	296,907	(2,460,710)
Grants Payable	(391,592)	1,080,566
Accrued Expenses	222,432	150,106
Lease Liability	(243,291)	(232,636)
Net Cash Provided (Used) by Operating Activities	(516,988)	3,376,148
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	-	(29,131)
Proceeds from Redemption of Investments	2,990,595	4,264,083
Purchases of Investments	(3,000,000)	(2,995,594)
Net Cash Provided (Used) by Investing Activities	(9,405)	1,239,358
NET INCREASE (DECREASE) IN CASH	(526,393)	4,615,506
Cash - Beginning of Year	6,696,791	2,081,285
CASH - END OF YEAR	\$ 6,170,398	\$ 6,696,791

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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.

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 \$51,863 and \$253,935 at December 31, 2022 and 2021, 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.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021. 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.

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.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, approximately 30% 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 7 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.

Adoption of New Accounting Standard

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued amended guidance for contributed nonfinancial assets. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. This adoption of this standard did not have a material impact on AEB's financial statements.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The financial statements have been evaluated through April 25, 2023, 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:

	2022	2021
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	465,327	409,903
Office Furniture and Equipment, Net	\$ 162,055	\$ 217,479

Depreciation and amortization expense for 2022 and 2021 was \$55,424 and \$52,631, 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 \$277,219 and \$260,283 for the years ended December 31, 2022 and 2021, respectively.

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.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables present information about AEB's assets measured at fair value on a recurring basis at December 31, 2022 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, 2022 and 2021 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Certificates of Deposit	<u>\$ -</u>	<u>\$ 2,259,480</u>	<u>\$ -</u>	<u>\$ 2,259,480</u>
<u>December 31, 2021</u>				
Certificates of Deposit	<u>\$ -</u>	<u>\$ 2,250,075</u>	<u>\$ -</u>	<u>\$ 2,250,075</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, 2022 and 2021.

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, 2022 and 2021, there were no transfers between Levels 1, 2, and 3.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 OPERATING LEASES – ASC 842

AEB elected to apply the provisions of FASB 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 and \$260,277 for the years ended December 31, 2022 and 2021, respectively. The minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 285,453
2024	290,264
2025	295,070
2026	299,882
2027	<u>304,695</u>
Total	1,475,364
Less: Amount Representing Interest at 2.46%	(89,604)
Present Value of Net Minimum Lease Payments	<u><u>\$ 1,385,760</u></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	280,642
Weighted-Average Remaining Lease Term - Operating Leases	5 Years
Weighted-Average Discount Rate - Operating Leases	1.50%

NOTE 6 LIQUIDITY

The following reflects AEB's financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash on Hand	\$ 5,670,398	\$ 6,196,791
Assessments Receivable, Net	2,849,085	2,944,895
Certificates of Deposit - Undesignated	<u>259,480</u>	<u>250,075</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 8,778,963</u></u>	<u><u>\$ 9,391,761</u></u>

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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>2022</u>	<u>2021</u>	<u>2020</u>
Assessment Receivable	\$ 2,849,085	\$ 2,944,895	\$ 3,032,269

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, 2022:

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
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>

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 8 FUNCTIONAL EXPENSES (CONTINUED)

Expenses related to providing these services are as follows for the year ended December 31, 2021:

	Program	Management and General	Total
Board Meetings	\$ 258,305	\$ 335	\$ 258,640
Consumer Insights	948,278	-	948,278
Depreciation	51,315	1,316	52,631
Outreach	8,526,337	-	8,526,337
Information Technology	228,829	5,867	234,696
Miscellaneous Expense	23,122	452	23,574
Nutrition Research	1,334,765	-	1,334,765
Office Supplies and Expenses	81,894	1,347	83,241
Payroll Tax and Fringe Benefits	660,803	16,944	677,747
State Promotional Grants	532,950	-	532,950
Operational Excellence	652,911	-	652,911
Postage	5,587	143	5,730
Professional Fees	335,330	8,598	343,928
Rent	253,770	6,507	260,277
Innovation Initiatives	1,921,489	-	1,921,489
Taxes, Licenses, and Insurance	41,637	1,068	42,705
Travel	91,431	2,344	93,775
USDA Expense	-	264,972	264,972
Wages	2,709,351	69,471	2,778,822
Website	273,252	-	273,252
Investment Fees	9,627	247	9,874
Uncollectible Reserves	-	149,938	149,938
Total	<u>\$ 18,940,983</u>	<u>\$ 529,549</u>	<u>\$ 19,470,532</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, 2022, 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 April 25, 2023.

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.

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. 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. 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 or significant deficiencies may exist that were not identified.

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*.

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
April 25, 2023

**AMERICAN EGG BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Financial Statement Findings

There were no findings required to be reported under *Government Auditing Standards* for the year ended December 31, 2022.



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