

AMERICAN EGG BOARD
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2024 AND 2023



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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, 2024 and 2023, 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, 2024 and 2023, 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 audits 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 audits. 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 findings, as finding 2024-001. 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 5H 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 finding 2024-001, 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 5H 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 16, 2025, 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 16, 2025

**AMERICAN EGG BOARD
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
ASSETS		
Cash:		
Undesignated	\$ 801,772	\$ 1,379,505
Designated for Programs	500,000	500,000
Certificates of Deposit:		
Undesignated	605,351	1,306,050
Designated for Programs	1,000,000	1,000,000
Designated for Operations	1,000,000	1,000,000
Assessments Receivable, Net of Allowance for Credit Losses of \$36,621 and \$24,828 at 2024 and 2023, Respectively	3,021,094	2,695,674
Other Receivables and Assets, Net of Allowance for Credit Losses of \$798 and \$-0- at 2024 and 2023, Respectively	218,914	450,514
Right-of-Use Asset:		
Operating	749,831	986,104
Prepaid Expenses	318,198	148,483
Office Furniture and Equipment, Net	75,572	117,371
Total Assets	\$ 8,290,732	\$ 9,583,701
LIABILITIES AND BOARD EQUITY		
LIABILITIES		
Accounts Payable	\$ 1,756,560	\$ 1,342,855
Grants Payable	496,030	1,023,100
Accrued Expenses	449,993	383,535
Deferred Revenue and Other Liability	54,041	-
Lease Liability:		
Operating	866,154	1,131,552
Total Liabilities	3,622,778	3,881,042
BOARD EQUITY		
Excess of Revenue Over Expenses:		
Undesignated	2,101,710	3,136,415
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	4,601,710	5,636,415
Contributed Capital	66,244	66,244
Total Board Equity	4,667,954	5,702,659
Total Liabilities and Board Equity	\$ 8,290,732	\$ 9,583,701

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
REVENUE, GAINS, AND OTHER SUPPORT		
Assessments	\$ 23,171,592	\$ 22,654,312
Egg Farmers of Canada	70,502	72,797
Sponsorships	150,500	146,500
Interest Income	134,119	132,625
Miscellaneous Income	3,211	27,456
Sublease Rental Income	183,910	-
Total Revenue, Gains, and Other Support	23,713,834	23,033,690
EXPENSES		
Operating Expenses:		
Consumer Insights	4,506,865	1,919,324
Egg's Story	7,042,028	9,985,594
Farmer's Story	1,075,505	870,366
Spark Innovation	5,474,588	5,234,783
Checkoff Awareness	5,231,049	5,077,494
Operational Excellence	938,759	830,406
Total Operating Expenses	24,268,794	23,917,967
Management and General Expenses:		
Board Meetings and Administration	204,887	163,778
USDA Administrative Expenses	274,858	282,332
Total Management and General Expenses	479,745	446,110
Total Expenses	24,748,539	24,364,077
EXCESS OF EXPENSES OVER REVENUE	\$ (1,034,705)	\$ (1,330,387)

See accompanying Notes to Financial Statements.

AMERICAN EGG BOARD
STATEMENTS OF ACCUMULATED EXCESS OF REVENUE OVER EXPENSES
YEARS ENDED DECEMBER 31, 2024 AND 2023

BALANCE - DECEMBER 31, 2022	\$ 6,966,802
Excess of Expenses Over Revenue	<u>(1,330,387)</u>
BALANCE - DECEMBER 31, 2023	5,636,415
Excess of Expenses Over Revenue	<u>(1,034,705)</u>
BALANCE - DECEMBER 31, 2024	<u><u>\$ 4,601,710</u></u>

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Expenses Over Revenue	\$ (1,034,705)	\$ (1,330,387)
Adjustments to Reconcile Excess of Expenses Over Revenue to Net Cash Used by Operating Activities:		
Depreciation	37,536	44,684
Amortization of Right-of-Use Asset	236,273	229,884
Realized/Unrealized Gain on Operating Investments, Net	(5,511)	(8,374)
Reserve for Uncollectible Assessments	11,793	(27,035)
Loss on Disposal of Fixed Assets	4,263	-
(Increase) Decrease in Assets:		
Assessments Receivable	(338,011)	180,446
Other Receivable and Assets	232,398	(191,999)
Prepaid Expenses	(169,715)	(95,274)
Increase (Decrease) in Liabilities:		
Accounts Payable	413,705	(1,867,999)
Grants Payable	(527,070)	58,364
Accrued Expenses	66,458	9,201
Deferred Revenue and Other Liability	54,041	-
Lease Liability	(265,398)	(254,208)
Net Cash Used by Operating Activities	(1,283,943)	(3,252,697)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Redemption of Investments	4,306,154	4,871,804
Purchases of Investments	(3,599,944)	(5,910,000)
Net Cash Provided (Used) by Investing Activities	706,210	(1,038,196)
NET DECREASE IN CASH	(577,733)	(4,290,893)
Cash - Beginning of Year	1,879,505	6,170,398
CASH - END OF YEAR	\$ 1,301,772	\$ 1,879,505

See accompanying Notes to Financial Statements.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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 (IRC).

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 \$36,621 and \$24,828 at December 31, 2024 and 2023, 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 allowances as of December 31, 2024 and 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, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessment Receivable (Continued)

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

	2024	2023
Balance - Beginning of Year	\$ 24,828	51,863
Bad Debt (Recoveries)	11,793	(27,035)
Balance - End of Year	\$ 36,621	\$ 24,828

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, 2024 and 2023. 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, 2024 AND 2023**

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 ROU assets on the statements of financial position.

Grants Payable

Grants payable represent all unconditional grants and contributions that have been authorized prior to year-end but remain unpaid as of the statements 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 years ended December 31, 2024 and 2023, approximately 42% and 37% of all purchases were from two and three major vendors, respectively.

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.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported in Note 8 and the statements 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.

Reclassification

A reclassification of an amount previously reported has been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Subsequent Events

The financial statements have been evaluated through April 16, 2025, 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:

	2024	2023
Computer Equipment	\$ 132,391	\$ 191,975
Furniture and Fixtures	321,402	332,983
Software	15,279	40,892
Leasehold Improvements	61,532	61,532
Total at Cost	530,604	627,382
Less: Accumulated Depreciation	455,032	510,011
Office Furniture and Equipment, Net	\$ 75,572	\$ 117,371

Depreciation and amortization expense for 2024 and 2023 was \$37,536 and 44,684, respectively.

AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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 \$459,679 and \$338,609 for the years ended December 31, 2024 and 2023, 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.

The following tables present information about AEB's assets measured at fair value on a recurring basis at December 31, 2024 and 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.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 2,605,351	\$ -	\$ 2,605,351
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 3,306,050	\$ -	\$ 3,306,050

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, 2024 and 2023.

AEB's policy is to recognize transfers in and transfers out of Levels 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, 2024 and 2023, there were no transfers between Levels 1, 2, and 3.

NOTE 5 OPERATING LEASES – ASC 842

AEB leases its office facilities under an operating lease that expires in December 2027. Subsequent to year end in April 2025 AEB entered into a lease amendment for additional office space through January 31, 2029, while the lease on the original office space remains to expire in December 2027.

AEB entered into a sublease agreement starting February 1, 2024, through the expiration of the lease in December 2027 with one tenant. A second sublease agreement was entered into commencing May 1, 2024 through October 31, 2024. This sublease agreement was renewed on October 30, 2024 and expires on June 30, 2025. The total operating lease expense and rental income during the years ended December 31, are as follows:

	2024	2023
Operating Lease Expense	\$ 281,073	\$ 261,132
Sublease Rental Income	(183,910)	-
Total Lease Expense, Net	\$ 97,163	\$ 261,132

The total minimum rentals to be received in the future under noncancellable subleases:

Year Ending December 31,	Amount
2025	\$ 216,495
2026	219,301
2027	223,712
Total Future Minimum Sublease Rental Income	\$ 659,508

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 5 OPERATING LEASES – ASC 842 (CONTINUED)

The minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 295,075
2026	299,886
2027	304,697
Total	899,658
Less: Amount Representing Interest at 2.46%	(33,504)
Present Value of Net Minimum Lease Payments	<u>\$ 866,154</u>

The following table provides quantitative information concerning AEB's lease accounted for under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842:

	<u>2024</u>	<u>2023</u>
Lease Costs:		
Operating Lease Costs	<u>\$ 281,073</u>	<u>261,132</u>
Other Information:		
Operating Cash Flows from Operating Leases	\$ 290,264	\$ 285,453
Weighted-Average Remaining Lease Term - Operating Leases	3 Years	4 Years
Weighted-Average Discount Rate - Operating Leases	1.50%	1.50%

NOTE 6 LIQUIDITY

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

	<u>2024</u>	<u>2023</u>
Cash on Hand - Undesignated	\$ 801,772	\$ 1,379,505
Assessments Receivable, Net	3,021,094	2,695,674
Certificates of Deposit - Undesignated	<u>605,351</u>	<u>1,306,050</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,428,217</u>	<u>\$ 5,381,229</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 statements of financial position date.

**AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 6 LIQUIDITY (CONTINUED)

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>2024</u>	<u>2023</u>	<u>2022</u>
Assessment Receivables	<u>\$ 3,021,094</u>	<u>\$ 2,695,674</u>	<u>\$ 2,849,085</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, 2024:

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Board Meetings	\$ 562,652	\$ -	\$ 562,652
Consumer Insights	2,125,243	-	2,125,243
Depreciation	36,504	1,032	37,536
Outreach	6,900,229	-	6,900,229
Industry Engagement	1,802,557	-	1,802,557
Information Technology	241,864	6,839	248,703
Miscellaneous Expense	64,647	4,544	69,191
Nutrition Research	1,121,389	-	1,121,389
Office Supplies and Expenses	118,437	3,349	121,786
Payroll Tax and Fringe Benefits	1,071,686	30,305	1,101,991
State Promotional Grants	297,879	-	297,879
Operational Excellence	626,743	-	626,743
Postage	3,479	98	3,577
Professional Fees	351,449	9,938	361,387
Rent	318,650	9,011	327,661
Innovation Initiatives	3,949,824	-	3,949,824
Taxes, Licenses, and Insurance	57,716	1,632	59,348
Travel	189,972	5,372	195,344
USDA Expense	-	274,858	274,858
Wages	4,249,773	120,174	4,369,947
Website	190,694	-	190,694
Total Expenses by Function	<u>\$ 24,281,387</u>	<u>\$ 467,152</u>	<u>\$ 24,748,539</u>

AMERICAN EGG BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 FUNCTIONAL EXPENSES (CONTINUED)

Expenses related to providing these services are as follows for the year ended December 31, 2023:

	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	100,288	331	100,619
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
Total Expenses by Function	<u>\$ 23,917,968</u>	<u>\$ 446,109</u>	<u>\$ 24,364,077</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 December 31, 2024, 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 April 16, 2025.

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 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

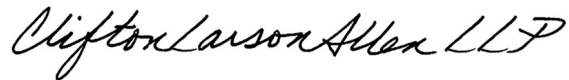
As part of obtaining reasonable assurance about whether AEB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2024-001.

AEB's Response to Finding

Government Auditing Standards requires the auditor to performed limited procedures on AEB's response to the finding 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 on 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 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.



CliftonLarsonAllen LLP

Oakbrook, Illinois
April 16, 2025

**AMERICAN EGG BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

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

Section II – Financial Statement Finding

See Compliance Finding 2024-001.

Section III – Compliance Findings

2024–001 – Credit Cards

Type of Finding:

Significant Deficiency in Internal Control over Financial Reporting
Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria:

AEB is required to follow the USDA Guidelines which notes specific requirements surrounding credit cards. AEB will develop a written policy statement regarding corporate credit card use, and this policy statement will be reviewed and approved by AMS. The policy includes the following requirements per USDA:

- Personal use of an AEB credit card is prohibited. Per AEB policy, this should be the exception and not the rule. Full reimbursement for personal expenditures are expected immediately.
- Credit card expenditures shall be reviewed each month by a supervisor or the board’s designee.

**AMERICAN EGG BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

Section III – Compliance Findings (Continued)

2024–001 – Credit Cards (Continued)

Condition:

During the course of our audit and in testing the compliance requirements of the USDA Guidelines, it was brought to our attention and noted the following deficiencies in both internal control and compliance surrounding credit cards:

- Personal expenses occurred on an AEB credit card throughout the year 2024, and were not repaid in a timely manner.
- Credit card statements for the President and CEO was not reviewed and approved by the board of directors on a timely basis during 2024.

Context:

Through audit procedures performed, the following instances were noted:

- Personal expenses on an AEB credit card throughout 2024 totaled \$7,896 and 57 instances of personal use. Repayment did not occur until March 2025.
- January 2024 through December 2024 monthly credit card statements for the President and CEO was not reviewed and approved by the board of directors until February 2025.

Effect:

Credit card activity that is not properly monitored could result in charges that are not for proper business purpose, and noncompliance with the USDA Guidelines.

Cause:

Inadequate monitoring of the credit card policy to ensure timely reviewal and approval of the credit card statements, and ensure proper business use of the credit card.

Recommendation:

We recommend that current policies and procedures in place be followed surrounding credit cards to ensure compliance with internal controls and compliance with USDA Guidelines.

Credit cards should not be used for personal use. If an instance occurs this should be immediately identified through the monthly review of the credit card statement when documenting the proper business purpose of the charge. Repayment of the funds should occur immediately.

Credit card statements should be reviewed and approved monthly by the board of directors for the President and CEO. This detailed review should be performed on all credit card charges along with all supporting documentation. Each credit card charge should have the business purpose noted to be reviewed and approved. This ensures compliance with the policy and procedure and prevent any misuse of funds.

**AMERICAN EGG BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

Section III – Compliance Findings (Continued)

Management's Response and Corrective Action Plan:

AEB accepts this finding. AEB staff leadership will identify staff that incurred personal expenses on their AEB credit card in 2024 and will conduct a specific training with that staff on the current policies around appropriate expenses on the corporate card. AEB's Board leadership (serving as Governance) will be notified once that training is completed. Staff leadership also will meet with Board leadership to review current policies and determine whether any policies or processes need to be adjusted to ensure leadership credit card statements are reviewed and approved on a timely basis.

Responsible Party: Chief, Operations & Outreach on behalf of staff leadership and the Board Chair, Treasurer and Immediate Past Chair on behalf of the Board of Directors

Planned Completion Date for Corrective Action Plan: May 31, 2025



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