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AUDIT REPORT
AND
FINANCIAL STATEMENTS
MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
BLOOMINGTON, MINNESOTA
JUNE 30, 1983 AND 1982

NOT FILMED

MINNESOTA DEPARTMENT OF AGRICULTURE
Accounting Division
Saint Paul, Minnesota

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MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
BLOOMINGTON, MINNESOTA

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Minnesota State Department of Agriculture
90 West Plato Boulevard, St. Paul, Minnesota 55107

Phone: (612) 296-6187

July 15, 1983

Minnesota Egg Research and
Promotion Council
308-2950 Metro Drive
Bloomington, MN 55420

Board of Directors:

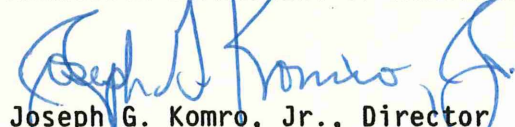
We have examined the statements of financial position of the Minnesota Egg Research and Promotion Council as of June 30, 1983 and 1982, and the related statements of operations, changes in financial position, and fund balance for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other such tests as we considered necessary in the circumstances.

As discussed in Note 5, the Council has entered into agreement with the Midwest Egg Producers Cooperative Association. Payments made to the Midwest Egg Producers Cooperative Association do not appear to be consistent with the use of Council check-off funds as authorized by Minnesota Statutes (1982), Sections 17.51-17.69.

In our opinion, with the exception of the payments made to the Midwest Egg Producers Cooperative Association, as discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of the Minnesota Egg Research and Promotion Council as of June 30, 1983 and 1982, and the results of operations and the changes in fund balance and financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Sincerely,

MINNESOTA DEPARTMENT OF AGRICULTURE



Joseph G. Komro, Jr., Director
Accounting Division

JGK:cb

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
BLOOMINGTON, MINNESOTA
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1983 AND 1982

ASSETS

CURRENT ASSETS:	<u>1983</u>	<u>1982</u>
Cash in Banks:		
Checking	\$ 543.09	\$ 660.78
Money Market Savings (Note 2)	34,159.57	5,709.32
Certificates of Deposit (Note 2)	<u>40,000.00</u>	<u>50,000.00</u>
Total Cash In Banks	74,702.66	56,370.10
Prepaid Expenses	<u>826.95</u>	<u>1,411.00</u>
Total Assets	<u>\$ 75,529.61</u>	<u>\$ 57,781.10</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:		
Refunds Payable	\$ 3,281.99	
Midwest Egg Producers Payable (Note 5)	2,677.18	\$ 12,396.00
Sales Tax Payable	<u> </u>	<u>9.43</u>
Total Liabilities	5,959.17	12,405.43
FUND BALANCE	<u>69,570.44</u>	<u>45,375.67</u>
Total Liabilities and Fund Balance	<u>\$ 75,529.61</u>	<u>\$ 57,781.10</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
BLOOMINGTON, MINNESOTA
COMPARATIVE STATEMENTS OF OPERATIONS AND FUND BALANCE
JUNE 30, 1983 AND 1982

	<u>1983</u>	<u>1982</u>
REVENUE:		
Egg Check-Off Assessments (Note 1)	\$231,684.36	\$227,677.86
Less: Assessments Refunded	<u>65,069.24</u>	<u>66,892.71</u>
Net Check-Off Assessments	166,615.12	160,785.15
Co-op Funding Program	20,217.00	11,805.13
Interest	10,525.76	8,306.82
United Egg Producers--Commissions (Note 4)	1,424.83	1,324.04
Miscellaneous Income	1,732.89	3,754.98
Contributions	<u>3,101.53</u>	
Total Revenue	<u>203,617.13</u>	<u>185,976.12</u>
EXPENDITURES:		
Promotional	115,578.00	124,601.24
Research (Note 3)	20,880.50	20,880.50
Administrative	38,665.38	44,488.46
Board of Directors	<u>4,298.48</u>	<u>5,826.44</u>
Total Expenditures	<u>179,422.36</u>	<u>195,796.64</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	24,194.77	(9,820.52)
FUND BALANCE -- Beginning of Year	<u>45,375.67</u>	<u>55,196.19</u>
FUND BALANCE -- End of Year	<u>\$ 69,570.44</u>	<u>\$ 45,375.67</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
BLOOMINGTON, MINNESOTA
COMPARATIVE STATEMENTS OF CHANGES IN FINANCIAL POSITION
JUNE 30, 1983 AND 1982

	<u>1983</u>	<u>1982</u>
SOURCES OF WORKING CAPITAL:		
Excess of Revenue Over Expenditures	\$ <u>24,194.77</u>	\$ <u>-0-</u>
Total Sources of Working Capital	<u>24,194.77</u>	<u>-0-</u>
USES OF WORKING CAPITAL:		
Deficit of Revenue Over Expenditures	<u>-0-</u>	<u>9,820.52</u>
Total Uses of Working Capital	<u>-0-</u>	<u>9,820.52</u>
INCREASE (DECREASE) IN WORKING CAPITAL:	<u>\$ 24,194.77</u>	(<u>\$ 9,820.52</u>)
ANALYSIS OF CHANGES IN WORKING CAPITAL:		
Increase (Decrease) In Current Assets:		
Cash in Banks	\$ 18,332.56	\$ 1,173.91
Prepaid Expense	(<u>584.05</u>)	<u>1,411.00</u>
	<u>17,748.51</u>	<u>2,584.91</u>
Decrease (Increase) In Current Liabilities:		
Midwest Egg Producers	9,718.82	(12,396.00)
Refunds Payable	(3,281.99)	-0-
Sales Tax Payable	<u>9.43</u>	(<u>9.43</u>)
	<u>6,446.26</u>	(<u>12,405.43</u>)
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 24,194.77</u>	(<u>\$ 9,820.52</u>)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
BLOOMINGTON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1983

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. The Minnesota Egg Research and Promotion Council was established by the Minnesota Legislature and is governed by Minnesota Statutes (1982), Sections 17.51-17.69.

Authority to operate is given the Council by the Minnesota Egg Promotion Order adopted November 1, 1973, revised January 21, 1983. The Order may be terminated by the Council after public hearing or upon petition of the Council and the holding of a subsequent referendum.

The purpose of the Council is to generate funds equitably from egg producers for the establishment of market development, promotion and research projects to benefit the Minnesota egg industry in the production and sale of its product.

Basis of Accounting. The accompanying financial statements were prepared on an accrual basis of accounting, modified by the recognition of certain revenues upon receipt and by charging certain permanent assets to operations in the year of acquisition. A one time adjustment was made to the refunds of check-off assessments for the fiscal year ended June 30, 1983 to convert the refunds to an accrual basis. The effect of this adjustment was to overstate refunds of check-off assessments by \$1,001.25 in the fiscal year ended June 30, 1983.

Check-Off Assessments. Check-off assessments are generated by the collection of four cents (4¢) per thirty dozen cases of eggs marketed by each producer. The monies are collected by various purchasers, on the date purchased, and remitted to the Council on a monthly basis. Since the purchases are made on a daily basis there is always monies owing to the Council at the end of any given month. However, the task of determining the amount receivable at the end of any given month would be very costly because of the number of purchases involved in the collection process. Therefore, producer remittances are recorded as revenue when received in cash.

Any assessments collected are refundable to the producer upon his written request within thirty days after the end of the month for which the fees were collected. Assessments refunded amounted to \$65,069.84 and \$66,892.71 for the fiscal years ended June 30, 1983 and 1982, respectively.

Permanent Assets and Depreciation. The Council maintains an inventory of permanent assets. All assets acquired by the Council are charged to operations in the year of acquisition. No depreciation is recognized as required by generally accepted accounting principles. However, it appears that this departure from generally accepted accounting principle does not have a material effect on the financial statements. Acquisitions of assets with an estimated useful life in excess of one year amounted to \$3,716.00 in the fiscal year ended June 30, 1983.

Taxes. As a quasi-governmental entity, the Internal Revenue Service has determined the Council is exempt from the filing requirements of non-profit organizations.

NOTE 2 --SHORT TERM CASH INVESTMENTS

The Council follows the practice of investing excess cash in savings accounts and certificates. These investments were as follows at June 30, 1983:

Metropolitan Bank Bloomington

Money Market Savings	\$ 34,159.57
#3107, 13.20%, 30 month, matures 2/9/85	10,000.00
#3108, 13.20%, 30 month, matures 2/9/85	10,000.00
#3109, 13.20%, 30 month, matures 2/9/85	10,000.00
#3110, 13.20%, 30 month, matures 2/9/85	<u>10,000.00</u>
Total	<u>\$ 74,159.57</u>

NOTE 3 -- RESEARCH EXPENDITURES

University of Minnesota. The Council has made the following commitments to fund research projects, related to egg and poultry production, being performed by the University of Minnesota:

1976-1978	Control of IBD and related diseases	\$ 20,000.00
1977-1981	Detection and control of MG	16,200.00
1978-1981	Detection of exposure to IBV	39,837.00
1980-1981	Mareks disease control	<u>25,347.00</u>
Total		<u>\$101,384.00</u>

On July 1, 1981, there was an unpaid commitment of \$30,000.00. The Council has made an agreement with the University of Minnesota to pay the balance due over a two year period ended June 30, 1983. Total payments to the University of Minnesota were \$18,880.50 and \$18,880.50 for the fiscal years ended June 30, 1983 and 1982, respectively.

Avian Chair Endowment Fund. The Council has made a commitment to the University of Minnesota for partial funding of a new Avian Research position at the University of Minnesota-St. Paul campus. Total commitment made was \$10,000.00 due in \$2,000.00 installments, payable in December of each year. Total payments to the Avian Chair Endowment Fund amounted to \$2,000.00 and \$2,000.00 for the fiscal years ended June 30, 1983 and 1982, respectively. The unpaid balance of the commitment was \$6,000.00 as of June 30, 1983.

NOTE 4 -- INSURANCE COMMISSIONS

As part of an agreement with the Midwest Egg Producers Cooperative Association, members are eligible to obtain certain insurance coverages provided by United Egg Producers. The United Egg Producers remits a portion of the insurance premiums received to the Council, in the form of commissions. It appears that the receipt of funds in the form of insurance commissions is not authorized by Minnesota Statutes (1982), Sections 17.51-17.69. Insurance commissions received for fiscal years ended June 30, 1983 and 1982 amounted to \$1,424.83 and \$1,324.04, respectively.

NOTE 5 -- MIDWEST EGG PRODUCERS COOPERATIVE ASSOCIATION

The Council has authorized the renewal of a memorandum of agreement with the Midwest Egg Producers Cooperative Association. As of July 15, 1983, an agreement had not been signed. Significant terms and services of the agreement expiring May 31, 1983, are as follows:

- A. The Association agrees to provide the following services:
 - 1. Statistical information relating to the egg and poultry industry.
 - 2. Communications with members relating to legislative and other issues.
 - 3. Assistance in the marketing of members production.
 - 4. Membership services (purchase of supplies, insurance, etc.)
- B. The Association agrees not to engage in any political lobbying on behalf of the Council.
- C. The Council agrees to pay the Association twenty-five percent (25%) of its check-off receipts, net of refunds from June 1, 1982 through May 31, 1983. (Payment under the previous agreement was thirty-one and one quarter percent (31.25%) of the net check-off assessments).

Membership in the Association is restricted to those participating producers who do not request any refund of check-off assessments. Payments to Midwest Egg Producers Cooperative Association amounted to \$42,494.58 and \$54,039.39 in the fiscal years ended June 30, 1983 and 1982, respectively.

A review of the Association's financial statements indicated the Association received a major portion of their revenue from the marketing of members eggs and fowl (83.5%) and the sales of supplies to members (12.7%). The Association appears to be a farmers marketing/supply cooperative and that funds paid as membership fees are used to help defray administrative costs. Accordingly, it appears that funds paid to the Association are not consistent with the use of check-off funds as authorized by Minnesota Statutes (1982), Sections 17.51 - 17.69.

NOTE 6 -- RESTATEMENT OF 1982 FINANCIAL STATEMENTS.

The financial statements for the fiscal year ended June 30, 1982, have been restated to correct errors resulting from oversight and misinterpretation of facts existing at the time of the statement's preparation. The net effect of these errors was to overstate revenues by \$675.00, to overstate expenditures by \$1,411.00 and to overstate the deficit of revenues over expenditures by \$736.00. Prepaid expense was understated by \$1,411.00, accounts receivable were overstated by \$675.00 and the fund balance at year-end was understated by \$736.00.

SUPPLEMENTAL INFORMATION

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on it.

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
BOARD OF DIRECTORS
FOR FISCAL YEAR ENDED JUNE 30, 1983

Term Expires

PRESIDENT

Norman Nelson Route 4 Bagley, MN 56621 Telephone: (218) 657-2272	District 9	6/30/85
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VICE PRESIDENT

Dave Offerman Montevideo, MN 56265 Telephone: (612) 269-7188	District 6	6/30/85
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SECRETARY

Lisa Wiese Route 1, Box 47 Blooming Prairie, MN 55917 Telephone: (507) 433-2458	District 1	6/30/84
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TREASURER

Wayne Burke Stewart, MN 55385 Telephone: (612) 562-2353	District 5	6/30/83
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PRODUCER DIRECTORS

Noel Severson Route 2 Ellendale, MN 56026 Telephone: (507) 583-2148	District 2	6/30/85
--	------------	---------

Beryl Morton Westbrook Egg Company Westbrook, MN 56183 Telephone: (507) 274-6126	District 3	6/30/83
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Adrian Kuipers Route 1, Box 302 Edgerton, MN 56128 Telephone: (507) 442-8442	District 4	6/30/84
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Jack Becker 16501 Territorial Road Osseo, MN 55369 Telephone: (612) 425-4956	District 7	6/30/84
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Amon Baer Lake Park, MN 56554 Telephone: (218) 937-5358	District 8	6/30/84
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MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
SUMMARY OF CHECK-OFF RECEIPTS AND REFUNDS
FOR FISCAL YEAR ENDED JUNE 30, 1983

	<u>RECEIPTS</u>	<u>REFUNDS</u> ^{1/}	<u>BALANCE</u>
July, 1982	\$ 20,061.99	\$ 5,214.70	\$ 14,847.29
August, 1982	18,995.39	6,044.29	12,951.10
September, 1982	17,870.63	2,849.92	15,020.71
October, 1982	18,403.07	4,826.78	13,576.29
November, 1982	19,881.97	3,582.32	16,299.65
December, 1982	18,030.64	4,803.88	13,226.76
January, 1983	22,033.00	1,680.52	20,352.48
February, 1983	19,200.74	5,575.91	13,624.83
March, 1983	19,392.24	7,911.62	11,480.62
April, 1983	20,796.22	9,180.64	11,615.58
May, 1983	19,495.36	3,302.28	16,193.08
June, 1983	<u>17,523.11</u>	<u>6,814.39</u>	<u>10,708.72</u>
 Total for Year	 <u>\$231,684.36</u>	 <u>\$ 61,787.25</u>	 <u>\$163,333.13</u>
 Monthly Average	 <u>\$ 19,307.03</u>	 <u>\$ 5,148.94</u>	 <u>\$ 13,611.09</u>

Refunds as a Percent of Receipts

26.7%

^{1/}The above schedule was prepared on a cash basis and does not reflect adjustments made to convert the refunds to an accrual basis. Accordingly, the total refunds paid and net check-off assessments do not agree with the amounts shown on the Comparative Statements of Operations on Page Three.

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
PROMOTION EXPENSE
FOR FISCAL YEARS ENDED JUNE 30, 1983 AND 1982

	<u>1983</u>	<u>1982</u>
Midwest Egg Producers Cooperative Association	\$ 42,494.58	\$ 54,039.39
Salaries	19,383.61	21,575.00
Payroll Taxes	2,029.56	1,715.09
Travel	4,038.27	5,406.72
Printing	1,007.82	2,927.70
Postage	2,051.20	1,196.11
Telephone	2,973.46	2,684.78
American Egg Board		1,297.55
Groceries and Supplies	2,589.53	2,703.94
Radio and Television	11,348.57	9,054.16
Fairs and Conventions	3,705.46	2,132.70
Temporary Help	1,970.80	4,001.94
Contributions	70.00	17.50
Employee Insurance	856.71	1,207.59
Miscellaneous	2,405.34	14,641.07
Rent	2,882.32	
Promotion Materials	<u>15,770.77</u>	<u> </u>
 Total Promotion Expense	 <u>\$115,578.00</u>	 <u>\$124,601.24</u>

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
ADMINISTRATIVE EXPENSE
FOR FISCAL YEARS ENDED JUNE 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Salaries	\$ 18,600.55	\$ 23,727.51
Payroll Taxes	1,647.14	2,151.84
Employee Insurance	668.01	1,064.88
Office Expense	1,404.64	1,995.17
Travel	1,519.16	2,836.32
Rent	2,882.36	2,762.40
Postage	424.43	1,050.26
Telephone	2,759.48	1,589.93
Consultant		891.09
Insurance	411.00	
Miscellaneous	831.84	1,749.25
Audit Fee	709.00	1,069.81
Minnesota Department of Agriculture	4,000.00	3,600.00
Printing	1,270.25	
Temporary Help	<u>1,537.52</u>	
Total Administrative Expense	<u>\$ 38,665.38</u>	<u>\$ 44,488.46</u>

MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
CHECKING ACCOUNT RECONCILIATION
June 30, 1983

Balance, per bank statement, June 30, 1983	\$4,172.06
Deposits in transit	<u>112.40</u>
Subtotal	4,284.46

Checks outstanding:	#9478	\$ 10.28
	9552	50.00
	9560	8.96
	9564	7.56
	9588	1.52
	9597	720.50
	9616	15.00
	9617	111.00
	9618	38.28
	9619	48.40
	9620	566.90
	9621	91.88
	9622	29.04
	9623	21.96
	9624	27.16
	9625	34.80
	9627	28.62
	9628	731.28
	9629	174.00
	9631	458.27
	9632	337.44
	9633	18.20
	9634	<u>210.32</u>

Total checks outstanding	<u>3,741.37</u>
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Balance, per records	<u>\$ 543.09</u>
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MINNESOTA EGG RESEARCH AND PROMOTION COUNCIL
ASSET INVENTORY
JUNE 30, 1983

ITEM

2 Drawer black locking file cabinet
4 Drawer black metal file cabinet
2 Black storage cabinets
White metal cabinet
2 Drawer file card cabinet
4 Drawer cabinet
Cardboard filing unit
2 Tables, wood grain top
3 Metal desks
Coffee table, glass top
Secretary desk, wood grain top with typing table
Telephone table
6 Plastic stacking chairs
2 Brown folding chairs
Yellow secretary chair
Hall tree
Tan, three shelf coat rack
4 Desk chairs
Mr. Coffee coffeemaker
Serving cart
2 Whale airpots
AM/FM radio
Pocket cassette recorder
35mm Camera
Slide projector and recorder
IBM Selectric II typewriter
Cart (dolly)
1 Microwave oven
Faberware convection oven
Hamilton Beach blender
29 Burners
1 Square card table
1 Round card table
Trailer
2 Fiberglass life size eggs
Oster blender
Food processor
Canon P101D printing calculator
Slide Tape Program