



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE November 22, 2005

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Iowa Soybean Promotion Board for the 10 months ended June 30, 2005 and the year ended August 31, 2004.

Effective July 1, 2005, the Iowa Soybean Promotion Board became the Soybean Checkoff Account within the Iowa Soybean Association. Soybean assessments will be deposited into the Soybean Checkoff Account and will be accounted for separately from all other moneys of the Association.

Vaudt reported the Board's net operating revenues totaled \$5,948,040 for the 10 months ended June 30, 2005. Operating expenses for the 10 months ended June 30, 2005 totaled \$4,589,009.

For the 10 months ended June 30, 2005, the Board distributed \$3,200,000 to the Iowa Soybean Association for administration, market development and production technology. The Board expended a total of \$2,269,512 for market development.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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IOWA SOYBEAN PROMOTION BOARD

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2005 AND AUGUST 31, 2004

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Iowa Soybean Promotion Board

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Michael L. Tramontina
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Board

Alan Karkosh
Cliff Mulder
Brian Kemp
Dean Coleman
Neal Keppy
Jim Stillman
Ed Ulch
Ray Gaesser
Merle Havertape
Roy Arends
Sheila Hebenstreit
Delbert Christensen
Randy VanKooten
Mark Jackson
Mark Beedle
Jim Legvold
Larry Marek

Chairperson
Vice Chairperson
Secretary
Treasurer
Officer at Large
Past Chairman
Member
Member
Member
Member
Member
Member
Member
Member
Member
Member
Member

Ex officio

Harold Hommes
Richard Vegors
Joan O'Brien
David Holm
Wendy Wintersteen

Agricultural Marketing Bureau Chief,
Iowa Department of Agriculture
Marketing Manager, Grain and Grain Co-Products,
Iowa Department of Economic Development
Chief Operations Officer, Environmental
and Regulatory Policy, Agribusiness Association of Iowa
Executive Director, Iowa Institute for Cooperatives
Senior Associate Dean, College of Agriculture,
Iowa State University

Agency

Kirk Leeds

Chief Executive Officer

Iowa Soybean Promotion Board



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Independent Auditor's Report

To the Members of the
Iowa Soybean Promotion Board:

We have audited the accompanying financial statements of the Iowa Soybean Promotion Board as of and for the 10 months ended June 30, 2005 and as of and for the year ended August 31, 2004. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, provisions of the Soybean Promotion and Research Order and the Soybean Promotion, Research and Consumer Information Act of 1990 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Soybean Promotion Board at the June 30, 2005 and August 31, 2004, and the results of its operations and its cash flows for the 10 months ended June 30, 2005 and for the year ended August 31, 2004 in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2005 on our consideration of the Iowa Soybean Promotion Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Auditor of State

Chief Deputy Auditor of State

November 4, 2005

Iowa Soybean Promotion Board

Financial Statements

Exhibit A

Iowa Soybean Promotion Board

Statements of Financial Position

For the 10 months ended June 30, 2005 and the year ended August 31, 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash and investments	\$ 4,897,779	4,762,877
Assessments receivable	1,278,678	549,646
Due from Iowa Soybean Association	-	729,641
Prepaid expenses	334,965	5,416
Interest receivable	<u>435</u>	<u>1,916</u>
Total assets	<u>\$ 6,511,857</u>	<u>6,049,496</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,749,304	1,582,620
Due to Iowa Soybean Association	-	<u>1,123,688</u>
Total liabilities	<u>1,749,304</u>	<u>2,706,308</u>
Net assets - unrestricted	<u>4,762,553</u>	<u>3,343,188</u>
Total liabilities and net assets	<u>\$ 6,511,857</u>	<u>6,049,496</u>

See notes to financial statements.

Iowa Soybean Promotion Board

Statements of Revenues, Expenses and Changes in Net Assets

For the 10 months ended June 30, 2005 and the year ended August 31, 2004

	2005	2004
Operating revenues:		
Assessments - National Check-off	\$ 12,511,535	14,629,985
Assessments collected from other QSSBs	256,740	332,651
Less:		
Assessment revenue remitted to other QSSBs	(876,564)	(1,087,948)
Assessment revenue remitted to USB	(5,943,671)	(6,921,064)
Net assessment revenue	5,948,040	6,953,624
USDA grant	-	34,199
Net operating revenues	5,948,040	6,987,823
Operating expenses (note 4):		
Administration	280,545	433,887
Market development	2,269,512	3,412,771
Production technology	2,038,952	3,077,604
Total operating expenses	4,589,009	6,924,262
Operating income	1,359,031	63,561
Non-operating revenues:		
Interest income	60,334	50,860
Changes in net assets	1,419,365	114,421
Net assets beginning of period	3,343,188	3,228,767
Net assets end of period	\$ 4,762,553	3,343,188

See notes to financial statements.

Exhibit C

Iowa Soybean Promotion Board

Statements of Cash Flows

For the 10 months ended June 30, 2005 and the year ended August 31, 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from assessments	\$ 12,768,884	14,961,078
Cash received from grant	-	34,199
Cash paid to other QSSBs, USB, suppliers and employees	<u>(12,695,796)</u>	<u>(15,711,885)</u>
Net cash provided by (used for) operating activities	<u>73,088</u>	<u>(716,608)</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	1,278,647	1,897,703
Purchase of investments	(1,483,775)	(1,915,472)
Interest received	<u>61,816</u>	<u>50,284</u>
Net cash provided by (used for) investing activities	<u>(143,312)</u>	<u>32,515</u>
Net decrease in cash and cash equivalents	(70,224)	(684,093)
Cash and cash equivalents beginning of period	<u>4,103,843</u>	<u>4,787,936</u>
Cash and cash equivalents end of period	<u>4,033,619</u>	<u>4,103,843</u>
Investments:		
U.S. treasury bill	760,980	629,783
Certificates of deposit	<u>103,180</u>	<u>29,251</u>
Total investments	<u>864,160</u>	<u>659,034</u>
Cash and investments per Statements of Financial Position	<u>\$ 4,897,779</u>	<u>4,762,877</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income	\$ 1,359,031	63,561
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
(Increase) decrease in assessments receivable	(729,031)	248,675
(Increase) decrease in due from Iowa Soybean Association	729,641	(250,233)
(Increase) decrease in prepaid expenses	(329,549)	203
Increase (decrease) in accounts payable	166,684	(959,261)
Increase (decrease) in due to Iowa Soybean Association	<u>(1,123,688)</u>	<u>180,447</u>
Net cash provided by (used for) operating activities	<u>\$ 73,088</u>	<u>(716,608)</u>

See notes to financial statements.

Iowa Soybean Promotion Board

Notes to Financial Statements

For the 10 months ended June 30, 2005 and the year ended August 31, 2004

(1) Summary of Significant Accounting Policies

The purpose of the Iowa Soybean Promotion Board is to establish programs for promotion, research and education directed toward better and more efficient production, marketing and utilization of soybeans and soybean products; to provide public relations and other promotion techniques for the maintenance of present markets; to provide for the development of new or larger domestic and foreign markets; and to provide for the prevention, modification or elimination of trade barriers which obstruct the free flow of soybeans and soybean products. Statutory authority for the Iowa Soybean Promotion Board is established under Chapter 185 of the Code of Iowa. Effective July 1, 2005, the Iowa Soybean Promotion Board became the Soybean Checkoff Account within the Iowa Soybean Association in accordance with House File 700, 2005 General Assembly. Soybean assessments will be deposited into the Soybean Checkoff Account and will be accounted for separately from all other moneys of the Association.

- A. Reporting Entity – For financial reporting purposes, the Iowa Soybean Promotion Board has included all funds, organizations, agencies, boards, commissions and authorities. The Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Board. The Iowa Soybean Promotion Board has no component units which meet the Governmental Accounting Standards Board criteria.
- B. National Checkoff – The Iowa Soybean Promotion Board receives .5% of the net market value of soybeans grown in Iowa. One half of the amount received, adjusted for refunds, assessment revenue remitted to other Qualified State Soybean Boards (QSSB) and penalties received, is disbursed to the United Soybean Board (USB). Soybeans grown in Iowa and sold to another state are assessed by that Qualified State Soybean Board (QSSB) and those assessments are returned to the Iowa Soybean Promotion Board.
- C. Basis of Accounting – The financial statements of the Board are prepared on the accrual basis.
- D. Cash and Cash Equivalents – For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known

amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

- E. Income Taxes – The Board is exempt from taxation under Section 501(c) of the Internal Revenue Code.

(2) Cash and Investments

The Board's deposits throughout the period and at June 30 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Board is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board's officers and directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

At June 30, 2005, the Board had the following investments:

Type	Fair Value	Maturity
U.S. treasury bill	\$ 634,363	September 2005
U.S. treasury bill	<u>126,617</u>	November 2005
Total	<u>\$ 760,980</u>	

Interest rate risk – The Iowa Soybean Promotion Board's investment policy does not limit the amount of an investment or the number of days operating funds may be invested.

(3) Promotional Development

Chapter 185.29 of the Code of Iowa states as follows:

“After the board has paid the costs of elections, referendum, necessary board expenses and administrative costs, at least seventy-five percent of the remaining moneys collected, deposited in the fund, and transferred to the board as provided in this chapter, shall be expended by the board for market development activities, including developing and expanding new markets for soybeans and soybean products worldwide. The moneys shall only be used for research, promotion, and education in cooperation with qualified agencies.”

For the 10 months ended June 30, 2005 and the year ended August 31, 2004, the Board expended 94% and 94%, respectively, for market development and production technology.

(4) Related Party Transactions

The Board has contracted with the Iowa Soybean Association to conduct research and develop programs to maintain and expand markets for U.S. soybeans. Expenses under this contract totaled \$3,056,960 and \$4,519,046 for the 10 months ended June 30, 2005 and the year ended August 31, respectively.

(5) Risk Management

The Board is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Board assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Iowa Soybean Promotion Board

Supplementary Information

Schedule 1

Iowa Soybean Promotion Board
Statement of Operating Revenues and Expenses by Activity
For the 10 months ended June 30, 2005

	Adminis- tration	Market Development	Production Technology	Total
Operating revenues:				
Assessments - National Check-Off				\$ 12,511,535
Assessments collected from other QSSBs				256,740
Less:				
Assessment revenue remitted to other QSSBs				(876,564)
Assessment revenue remitted to USB				(5,943,671)
Net operating revenues				<u>5,948,040</u>
Operating expenses				
Check-off and refund maintenance	\$ 10,318	-	-	10,318
Board expense	77,639	-	-	77,639
Auditing by Iowa Department of Agriculture	20,346	-	-	20,346
Insurance	4,583	-	-	4,583
Legal fees	16,539	-	-	16,539
Miscellaneous	4,992	-	-	4,992
Strategic planning	72,851	-	-	72,851
Contracted programs	73,277	2,211,237	762,129	3,046,643
In-State/Regional research	-	37,442	1,276,823	1,314,265
U.S. Meat Export Federation	-	6,667	-	6,667
Soyfoods Council	-	833	-	833
National Biodiesel Board	-	8,333	-	8,333
U.S. Poultry and Egg Export Council	-	5,000	-	5,000
Total operating expenses	<u>\$ 280,545</u>	<u>2,269,512</u>	<u>2,038,952</u>	<u>4,589,009</u>
Operating income				<u>\$ 1,359,031</u>

See accompanying independent auditor's report.



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Independent Auditor's 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

To the Members of the
Iowa Soybean Promotion Board:

We have audited the accompanying financial statements of the Iowa Soybean Promotion Board as of and for the 10 months ended June 30, 2005 and have issued our report thereon dated November 4, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

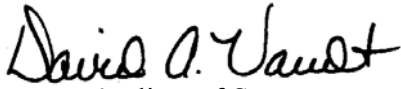
In planning and performing our audit, we considered the Iowa Soybean Promotion Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Soybean Promotion Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Soybean Promotion Board and other parties to whom the Iowa Soybean Promotion Board may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Soybean Promotion Board during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


Auditor of State


Chief Deputy Auditor of State

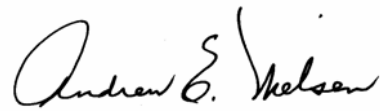
November 4, 2005

Iowa Soybean Promotion Board

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Ryan J. Johnson, CPA, Staff Auditor
Bobbie J. Zediker, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State