

**IOWA PROPANE EDUCATION AND  
RESEARCH COUNCIL - STATE**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2022 AND 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Iowa Propane Education and Research Council - State

### **Opinion**

We have audited the accompanying financial statements of Iowa Propane Education and Research Council - State (a program of Iowa Propane Education and Research Council), which comprise the statements of cash receipts and disbursements as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of Iowa Propane Education and Research Council - State as of and for the years ended December 31, 2022 and 2021, in accordance with the basis of accounting described in Note A.

### **Basis for Opinion**

We conduct our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Iowa Propane Education and Research Council - State and to meet our ethical responsibilities in accordance with 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.

### **Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 auditor's 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 generally accepted 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Iowa Propane Education and Research Council - State'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Propane Education and Research Council - State'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 findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of Iowa Propane Education and Research Council - State'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 Iowa Propane Education and Research Council - State'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 Iowa Propane Education and Research Council - State's internal control over financial reporting and compliance.

MHCS P.C.

West Des Moines, Iowa  
June 30, 2023

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH RECEIPTS</b>		
Monthly assessments	\$ 386,094	\$ 372,984
Miscellaneous income	-	345
Interest	1,384	235
<b>TOTAL CASH RECEIPTS</b>	<u>387,478</u>	<u>373,564</u>
<b>CASH DISBURSEMENTS</b>		
Furnace rebates	-	261,000
Owners' and managers' meeting	4,370	-
Iowa Duty to Warn	8,421	10,365
Fire schools	5,252	12,710
Directors' and officers' insurance	758	723
Safety director	158,042	157,897
Administrative fee agreement	60,000	48,000
Hazmat training	5,813	8,730
LIHEAP regulator	2,475	6,310
LIHEAP gas	612	936
Water heater rebates	39,770	44,880
Farm Bureau cookout	1,800	1,500
Training equipment	5,652	9,222
Miscellaneous	3,954	3,698
Audit and tax return preparation fees	4,443	6,703
Computers	2,000	-
Legal fees	749	-
National PERC disbursements paid by State PERC	76,282	-
<b>TOTAL CASH DISBURSEMENTS</b>	<u>380,393</u>	<u>572,674</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	7,085	(199,110)
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>182,261</u>	<u>381,371</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 189,346</u>	<u>\$ 182,261</u>

The accompanying notes are an integral part of these financial statements.

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Program** - The Iowa Propane Education and Research Council - State (the Program) is a program of Iowa Propane Education and Research Council (the Council), a nonprofit organization established by the Iowa Propane Education and Research Act. The Program is only one component of Iowa Propane Education and Research Council. The purpose of the Program is to provide activities designed to give information regarding propane, propane equipment, mechanical and technical practices, and uses of propane to consumers and members of the propane industry. Under the Iowa Propane Education and Research Act, the Program receives an assessment fee on the sale of odorized propane.

**Basis of Accounting** - The Program's records are maintained on the cash basis. Under this method, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Property and equipment purchases are expensed as paid in accordance with the cash basis method of accounting. The cash basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the financial statements do not present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of savings and interest-bearing demand accounts in federally insured financial institutions.

**Funds Received from Assessments** - The Program's sole source of revenue is an annual assessment from propane marketers in the state of Iowa at a rate of one-tenth of one cent on each gallon of odorized propane sold in Iowa that is remitted monthly, as required by Iowa legislative code.

**Income Tax Matters** - The Program's activities are included in the informational tax filings prepared by the Council. The Council is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. However, the Council is subject to federal and state corporate income taxes on any unrelated business income generated from activities not specifically related to its tax-exempt purpose.

The Council is unaware of any uncertain income tax positions at December 31, 2022 and 2021. Interest and penalties associated with income tax matters would be presented as components of income tax expense. There were no interest or penalty charges during 2022 and 2021.

**Subsequent Events** - Management has evaluated subsequent events through June 30, 2023, the date the financial statements were available to be issued.

**NOTE B - LIQUIDITY AND AVAILABILITY**

The Program has \$189,346 and \$182,261 of financial assets (cash) available within one year of the Statements of Cash Receipts and Disbursements date to meet cash needs for general expenditure at December 31, 2022 and 2021, respectively. The financial assets noted above are not subject to donor restrictions that make them unavailable for general expenditure within one year of the Statement of Cash Receipts and Disbursements date; however \$26,257 and \$26,299 of Program funds are committed for future projects as described in Note C at December 31, 2022 and 2021, respectively. The Program has a goal to maintain financial assets on hand to be available as its general expenditures, liabilities and other obligations come due.

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - FUTURE PROJECT COMMITMENTS**

The Council has committed \$26,257 of Program funds for the safety director project in 2022. The Program funds committed at December 31, 2021 of \$26,299 were disbursed during 2022.

**NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing program and administrative activities have been summarized on a functional basis for the years ended December 31, 2022 and 2021 in the tables below. Accordingly, certain costs have been allocated based on specific program and administrative activities. The Council uses requirements of National Propane Education and Research Council (PERC) to determine program and administrative allocations. Program costs consist of direct expenses attributable to specific projects, and administrative costs consist of indirect expenses allocated to the projects. The Program had no fundraising expenses.

	State PERC		
	Program	Administrative	2022 Total
Owners and managers' meeting	\$ 4,120	\$ 250	\$ 4,370
Iowa Duty to Warn	8,355	66	8,421
Fire schools	5,175	77	5,252
Directors' and officers' insurance	758	-	758
Safety director	158,042	-	158,042
Administrative fee agreement	-	60,000	60,000
Hazmat training	5,738	75	5,813
LIHEAP regulator	2,450	25	2,475
LIHEAP gas	575	37	612
Water heater rebates	39,700	70	39,770
Farm Bureau cookout	1,761	39	1,800
Training equipment	5,652	-	5,652
Miscellaneous	271	3,683	3,954
Audit and tax preparation fees	-	4,443	4,443
Computers	2,000	-	2,000
Legal fees	-	749	749
National PERC disbursements paid by State PERC	-	76,282	76,282
	<u>\$ 234,597</u>	<u>\$ 145,796</u>	<u>\$ 380,393</u>

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES - Continued**

	State PERC		2021 Total
	Program	Administrative	
Furnace rebates	\$ 256,000	\$ 5,000	\$ 261,000
Iowa Duty to Warn	10,267	98	10,365
Fire schools	12,554	156	12,710
Directors' and officers' insurance	723	-	723
Safety director	157,701	196	157,897
Administrative fee agreement	-	48,000	48,000
Hazmat training	8,630	100	8,730
LIHEAP regulator	6,260	50	6,310
LIHEAP out of gas	886	50	936
Water heater rebates	44,300	580	44,880
Farm Bureau cookout	1,462	38	1,500
Training equipment	9,222	-	9,222
Miscellaneous	486	3,212	3,698
Audit and tax preparation fees	-	6,703	6,703
	<u>\$ 508,491</u>	<u>\$ 64,183</u>	<u>\$ 572,674</u>

**NOTE E - IOWA PROPANE GAS ASSOCIATION**

Certain administrative functions are performed by the Iowa Propane Gas Association (the Association). The Program paid the Association \$60,000 and \$48,000 in 2022 and 2021, respectively, for administrative services provided to the Program. The Program paid the Association \$164,750 and \$185,747, including \$6,708 and \$31,850 in project management fees, for projects performed by the Association on behalf of the Program during the years ended December 31, 2022 and 2021, respectively. The remaining payments of \$158,042 and \$153,897 were for safety director expenses during the years ended December 31, 2022 and 2021, respectively.



**OTHER REQUIRED**  
**INFORMATION**



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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 Board of Directors of  
Iowa Propane Education and Research Council - State

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 Iowa Propane Education and Research Council - State (the Program), a program of Iowa Propane Education and Research Council, which comprise of the statement of cash receipts and disbursements for the year ending December 31, 2022, and the related notes to the financial statements and have issued our report thereon dated June 30, 2023. Our report on the financial statements includes another matter paragraph discussing the Program's use of the cash basis of accounting to prepare its financial statements.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Iowa Propane Education and Research Council - State'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 Iowa Propane Education and Research Council - State's internal control. Accordingly, we do not express an opinion on the effectiveness of Iowa Propane Education and Research Council - State'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Program'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 weakness. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2022-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

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

**Iowa Propane Education and Research Council - State's Response to Findings**

Iowa Propane Education and Research Council - State's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Program's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 result of that testing, and not to provide an opinion on the effectiveness of the Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MACS P.C.*

West Des Moines, Iowa  
June 30, 2023

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2022**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

**INTERNAL CONTROL DEFICIENCIES:**

*Finding 2022-001*

***Criteria and Condition:*** Accounting functions are provided by Iowa Propane Gas Association (the Association). The Association's staff consists of three full-time employees. The limited number of staff makes it difficult to assign responsibilities so that individuals with access to assets are not also responsible for recording transactions related to those assets.

***Context:*** The Association has three full-time employees, which makes it difficult to properly segregate accounting functions.

***Cause:*** The limited number of staff makes it difficult to assign responsibilities so that individuals with access to assets are not also responsible for recording transactions relating to those assets.

***Effect:*** Certain Association employees may have access to assets and also are responsible for recording transactions related to those assets, allowing for the opportunity for misappropriation of assets or errors in coding revenue or expenses.

***Recommendation:*** We recommend that the board treasurer continue to closely monitor and investigate unexpected operating results and review financial statements, bank statements and copies of cancelled checks for any evidence of unapproved disbursements. We also recommend that billings for services from the Association continue to be reviewed carefully by the Council's board treasurer or another independent party.

***Management Response:*** We agree with the finding and recommendations. The Council's treasurer will continue to review bank statements and copies of cancelled checks and will closely review billings from the Association.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2022**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:**

*Finding 2021-001*

***Criteria and Condition:*** Accounting functions are provided by Iowa Propane Gas Association (the Association). The Association's staff consists of three full-time employees. The limited number of staff makes it difficult to assign responsibilities so that individuals with access to assets are not also responsible for recording transactions related to those assets.

***Status:*** The board treasurer continues to closely monitor and investigate unexpected operating results and reviews bank statements and copies of cancelled checks for any evidence of unapproved disbursements, as well as billings for services from the Association; however, the significant deficiency continues to exist.