

AMERICAN LAMB BOARD
FINANCIAL STATEMENTS
September 30, 2009

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**Board of Directors
American Lamb Board
Denver, Colorado**

Independent Auditors' Report

We have audited the accompanying statement of financial position of the American Lamb Board (Board) as of September 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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 audit. The prior year summarized comparative information has been derived from the Board's 2008 financial statements and, in our report dated November 10, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 financial statement presentation. We believe our audit provides 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 Board as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Board of Directors
American Lamb Board
Page 2**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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 Audit Standards* and should be considered in assessing the results of our audit.

December 9, 2009


BONDI & Co. LLC

AMERICAN LAMB BOARD

STATEMENT OF FINANCIAL POSITION

September 30, 2009

(With Comparative Totals for September 30, 2008)

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and Cash Equivalents (Note 2)	\$ 1,152,870	\$ 1,307,986
Accounts Receivable	176,672	175,738
Prepaid Expenses	2,335	2,335
Total Current Assets	<u>1,331,877</u>	<u>1,486,059</u>
Equipment (Net of Accumulated Depreciation) (Note 3)	<u>2,659</u>	<u>2,086</u>
Total Assets	<u><u>1,334,536</u></u>	<u><u>1,488,145</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts Payable and Accrued Expenses	120,639	161,813
Referendum Reserve		<u>175,000</u>
Total Current Liabilities	<u>120,639</u>	<u>336,813</u>
<u>NET ASSETS</u>		
Unrestricted	<u>1,213,897</u>	<u>1,151,332</u>
Total Net Assets	<u>1,213,897</u>	<u>1,151,332</u>
Total Liabilities and Net Assets	<u><u>\$ 1,334,536</u></u>	<u><u>\$ 1,488,145</u></u>

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

AMERICAN LAMB BOARD

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

(With Comparative Totals for the Year Ended September 30, 2008)

	<u>2009</u>	<u>2008</u>
REVENUES		
Collections	\$ 2,005,330	\$ 2,249,268
Interest Income	6,833	27,908
Other	<u>3,925</u>	<u>2,359</u>
Total Revenues	<u>2,016,088</u>	<u>2,279,535</u>
EXPENSES		
Program Expenses:		
Communications	317,384	314,437
Promotion	1,324,266	1,523,952
Research	<u>55,500</u>	<u>45,000</u>
Total Program Expenses	<u>1,697,150</u>	<u>1,883,389</u>
Support Services:		
Administration	176,487	202,473
USDA	74,205	125,024
Referendum Reserve	<u>5,681</u>	<u>75,000</u>
Total Supporting Services Expenses	<u>256,373</u>	<u>402,497</u>
Total Expenses	<u>1,953,523</u>	<u>2,285,886</u>
CHANGE IN NET ASSETS	62,565	(6,351)
NET ASSETS, Beginning of Year	<u>1,151,332</u>	<u>1,157,683</u>
NET ASSETS, End of Year	<u><u>\$ 1,213,897</u></u>	<u><u>\$ 1,151,332</u></u>

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

AMERICAN LAMB BOARD

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2009
(With Comparative Totals for the Year Ended September 30, 2008)

EXPENSES	PROGRAM EXPENSES				SUPPORT SERVICES			Total 2009	Total 2008
	Communi- cations	Promotion	Research	Administra- tion	USDA	Referendum			
Promotion	\$ 1,141,636	\$	\$	\$	\$	\$	\$ 1,141,636	\$ 1,266,359	
Communications	196,554						196,554	169,716	
Research			55,500				55,500	45,000	
Program Management & Other Administrative	63,166	104,628		40,368			208,162	275,452	
Travel	32,034	39,559		24,485			96,078	113,216	
USDA					74,205		74,205	125,024	
Referendum Reserve						5,681	5,681	75,000	
Accounting and Compliance				82,578			82,578	103,024	
Occupancy	9,206	13,810		7,672			30,688	28,228	
General Office Expenses	3,671	5,506		3,059			12,236	22,083	
Postage and Shipping	6,659	9,988		5,549			22,196	19,555	
Phone	2,875	4,312		2,396			9,583	10,097	
Audit				7,700			7,700	7,350	
Legal	1,660	2,490		1,383			5,533	17,747	
Professional	957	1,434		796			3,187	5,368	
Depreciation (Note 3)	602	903		501			2,006	2,667	
Total Expenses	\$ 317,384	\$ 1,324,266	\$ 55,500	\$ 176,487	\$ 74,205	\$ 5,681	\$ 1,953,523	\$ 2,285,886	

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

AMERICAN LAMB BOARD

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2009

(With Comparative Totals for the Year Ended September 30, 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Collections	\$ 2,004,396	\$ 2,256,553
Interest Received	6,833	27,908
Cash Received from Other Revenues	3,925	2,359
Cash Paid to Employees and Suppliers	<u>(2,167,691)</u>	<u>(2,203,239)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(152,537)</u>	<u>83,581</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Cash Paid for Equipment	<u>(2,579)</u>	<u> </u>
Net Cash Used by Investing Activities	<u>(2,579)</u>	<u> </u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(155,116)	83,581
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,307,986</u>	<u>1,224,405</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>1,152,870</u></u>	<u><u>1,307,986</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in Net Assets	62,565	(6,351)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation Expense	2,006	2,667
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(934)	7,285
Increase in Prepaid Expenses and Other		(153)
Increase (Decrease) in Accounts Payable and Accrued Expenses	<u>(216,174)</u>	<u>80,133</u>
Net Cash Provided by (Used In) Operating Activities	<u><u>\$ (152,537)</u></u>	<u><u>\$ 83,581</u></u>

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

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The American Lamb Board (Board) is a non-profit organization consisting of a 13-member board comprised of producers, feeders, seed stock producers, and first handlers appointed by the Secretary of Agriculture to administer the activities of the American Lamb Check-Off Program initiated in 2002. The enabling legislation for the Board can be found in the Federal Register, 7 CFR Part 1280. The focus of the Board is to increase market share for American lamb while maintaining profitability for all segments of the lamb industry. The Board accomplishes its goals through such initiatives as advertising, marketing partnerships with complimentary products, public relations using trained chefs, and through education for consumers on preparing, storing and handling lamb.

As of July 1, 2002, all sheep or lambs (ovines) of any age, including ewes and rams, are subject to the National Lamb Check-Off assessment. General operation of the Check-Off program is to have the buyer collect a \$0.005 per pound assessment of the weight of live sheep or lambs from the seller. The seller can be a producer, feeder, seed stock producer, direct marketer, individual, dealer, trader or auction market. The assessment is carried forward, with each owner contributing his or her share of the assessment, based upon weight added by the owner, if any. The assessment is collected and ultimately remitted to the Board by the owner at the time of slaughter or export. The owner at the time of slaughter is also known as the "first handler" and can be a producer, packer, processor, ethnic slaughter facility, slaughter house, direct marketer, feeder, individual, seed stock producer, etc. The first handler is also responsible for remitting \$0.30 per head for each sheep or lamb slaughtered. The owner at the time of export is known as the "exporter" and is responsible for collecting and remitting only the \$0.005 per pound of live sheep or lambs collected from the seller, including any weight added by the exporter, to the Board.

Method of Accounting

The accompanying financial statements are prepared using the accrual method of accounting, with a fiscal year-end of September 30. As such, assessment revenues are recognized when collected by the first handler at the time of slaughter. First handlers are required to submit assessments to the Board by the 15th of the month, after the month in which ovine were slaughtered.

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, 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 reported period. As a result, actual results could differ from those estimates.

Tax Status

The Board is organized as a not-for-profit corporation formed under IRC section 501(c)(5) that engages in activities under the aegis of the USDA; accordingly, no provision for income taxes is included in the accompanying financial statements. The Board is not a private foundation.

Basis of Presentation

The accompanying financial statements are presented in accordance with Statements of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS No. 117). SFAS No. 117 defines not-for-profit financial statement presentation, requires the presentation of a statement of cash flows, and requires that amounts be classified based on the presence or absence of donor-imposed restrictions.

Under SFAS No. 117, the financial statements report amounts separately by class of net assets:

Unrestricted net assets - amounts currently available for use in the Board's operations and those resources invested in property and equipment.

Temporarily restricted net assets - amounts that are stipulated by donors for specific operating purposes or future periods.

Permanently restricted net assets - amounts that are stipulated by donors to be maintained in perpetuity.

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand at financial institutions and certificates of deposit with maturities of less than a year.

Equipment

Equipment is stated at cost. Depreciation is computed over the estimated useful life of the asset using the straight-line method. The Board follows the policy of capitalizing all expenditures for equipment in excess of \$1,000. Useful lives for equipment are 3-5 years.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

Concentrations

The Board is dependent upon the purchase and sale of American lamb, and as such, is limited in its prosperity to the performance of the American sheep industry.

The Board receives approximately 80% of the collection revenues from five vendors. As such, the Board's revenues are dependent on the financial health of these five vendors.

Advertising Costs

The Board expenses the production costs of advertising the first time the advertising takes place. Advertising expense consists primarily of magazine advertisements, website maintenance, and media kits. Total advertising expense of \$28,085 for 2009 is included in communication expense.

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2009

NOTE 2: CASH AND CASH EQUIVALENTS

The Board maintains cash accounts in commercial banks. At September 30, 2009, the Board had a book balance of \$1,152,870. The bank balance did not exceed federally insured limits. Further, these accounts are fully collateralized by the Board's commercial bank agreement with the Federal Reserve, as required by USDA/AMS.

The Board maintains a reserved cash account in the amount of \$225,000. This fund consists of the original \$75,000 that was set aside when the Check-Off program was established, to cover the costs of phasing out operations at the Board if the Check-Off program was voted down in February 2005. In 2005, the Board voted to add an additional \$150,000 to this fund in order to cover any unforeseen cash flow requirements.

NOTE 3: EQUIPMENT

Equipment consisted of the following:

	October 1, 2008	Additions	Deletions	September 30, 2009
Equipment	\$ 16,002	\$ 2,579	\$(1,522)	\$ 17,059
Less Accumulated Depreciation	(13,916)	(2,006)	1,522	(14,400)
Total	\$ 2,086	\$ 573	\$	\$ 2,659

Depreciation expense for the year ended September 30, 2009 was \$2,006.

NOTE 4: LEASE COMMITMENTS

In June 2006, the Board entered into a 38-month office space lease, ending July 2009, with The District at Southmoor Station. This lease was renewed for another one-year period ending July 2010. The future minimum lease payment for 2010 is \$20,350. The Board paid \$24,420 for office space and storage rental during fiscal 2009.

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2009

NOTE 5: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the independent auditors' report date.

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**Board of Directors
American Lamb Board
Denver, Colorado**

**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***

We have audited the financial statements of the American Lamb Board (Board) as of and for the year ended September 30, 2009, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

**Board of Directors
American Lamb Board**

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

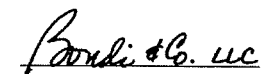
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 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*.

This report is intended solely for the information and use of management, the Board, others within the organization, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

December 9, 2009


BONDI & Co. LLC

AMERICAN LAMB BOARD

ADDENDUM TO THE YELLOW BOOK OPINION

September 30, 2009

In connection with our audit, nothing came to our attention that caused us to believe the American Lamb Board (Board) was not in compliance with the provisions of the Lamb Promotion and Research Act of 2002, and the Lamb Promotion and Research Order (Order) relative to the use of funds collected by the Board insofar as they relate to accounting matters. Further, in connection with our audit, nothing came to our attention that caused us to believe the Board was not in compliance with the terms of Section 1280.213 of the Order or with the terms of the Agricultural Marketing Service Investment Policy, which describes the type of instruments in which the Board may invest, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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