

AMERICAN LAMB BOARD
FINANCIAL STATEMENTS
September 30, 2007

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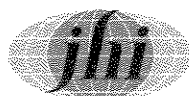
**Board of Directors
American Lamb Board
Denver, Colorado**

Independent Auditors' Report

We have audited the accompanying statement of financial position of the American Lamb Board (Board) as of September 30, 2007, 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 2006 financial statements and, in our report dated November 16, 2006, 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 American Lamb Board as of September 30, 2007, 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.

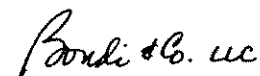


Affiliate Offices Worldwide

Board of Directors
American Lamb Board
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2007, on our consideration of American Lamb 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.

November 14, 2007


BONDI & Co. LLC

AMERICAN LAMB BOARD

STATEMENT OF FINANCIAL POSITION

September 30, 2007

(With Comparative Totals for September 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and Cash Equivalents (Note 2)	\$ 1,224,405	\$ 1,098,801
Accounts Receivable	183,023	189,590
Prepaid Expenses	<u>2,182</u>	<u>21,153</u>
Total Current Assets	1,409,610	1,309,544
Equipment (Net of Accumulated Depreciation) (Note 3)	<u>4,753</u>	<u>3,801</u>
Total Assets	<u><u>1,414,363</u></u>	<u><u>1,313,345</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts Payable and Accrued Expenses	156,680	114,402
Referendum Reserve	<u>100,000</u>	<u>50,000</u>
Total Liabilities	<u>256,680</u>	<u>164,402</u>
<u>NET ASSETS</u>		
Unrestricted	<u>1,157,683</u>	<u>1,148,943</u>
Total Net Assets	<u>1,157,683</u>	<u>1,148,943</u>
Total Liabilities and Net Assets	<u><u>\$ 1,414,363</u></u>	<u><u>\$ 1,313,345</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, 2007

(With Comparative Totals for the Year Ended September 30, 2006)

	<u>2007</u>	<u>2006</u>
REVENUES		
Collections	\$ 2,324,430	\$ 2,369,460
Interest Income	12,921	7,879
Other Revenue	<u>3,060</u>	<u>4,718</u>
Total Revenues	<u>2,340,411</u>	<u>2,382,057</u>
EXPENSES		
Program Expenses:		
Promotion	1,626,411	1,404,291
Communications	251,772	324,891
Research	<u>95,000</u>	<u>83,245</u>
Total Program Expenses	<u>1,973,183</u>	<u>1,812,427</u>
Support Services:		
Administration	212,041	232,024
USDA	96,447	73,425
Referendum Reserve	50,000	50,000
Mandatory Refund Reserve	<u></u>	<u>(10,414)</u>
Total Supporting Services Expenses	<u>358,488</u>	<u>345,035</u>
Total Expenses	<u>2,331,671</u>	<u>2,157,462</u>
CHANGE IN NET ASSETS	8,740	224,595
NET ASSETS, Beginning of Year	<u>1,148,943</u>	<u>924,348</u>
NET ASSETS, End of Year	<u>\$ 1,157,683</u>	<u>\$ 1,148,943</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, 2007

(With Comparative Totals for the Year Ended September 30, 2006)

	PROGRAM EXPENSES				SUPPORT SERVICES			Total 2006
	Communi- cations	Promotion	Research	Administra- tion	USDA	Referendum	Total 2007	
EXPENSES								
Promotion	\$	\$ 1,374,629	\$	\$	\$	\$	\$ 1,374,629	\$ 1,158,295
Communications	114,336						114,336	177,302
Program Management	112,663	195,173					307,836	290,470
Research			95,000				95,000	83,245
Mandatory Refund Reserve								(10,414)
Referendum Reserve						50,000	50,000	50,000
USDA					96,447		96,447	73,425
Travel	20,417	50,075		25,030			95,522	114,484
Accounting and Compliance				119,920			119,920	122,343
Legal	2,245	3,368		1,871			7,484	19,113
Professional	1,069	1,603		891			3,563	2,627
Depreciation	1,042	1,563		869			3,474	3,555
Other Administration				63,460			63,460	73,017
Total Expenses	\$ 251,772	\$ 1,626,411	\$ 95,000	\$ 212,041	\$ 96,447	\$ 50,000	\$ 2,331,671	\$ 2,157,462

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

AMERICAN LAMB BOARD

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2007

(With Comparative Totals for the Year Ended September 30, 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Collections	\$ 2,330,998	\$ 2,373,156
Interest Received	12,921	7,879
Cash Received from Other Revenues	3,060	4,718
Cash Paid to Employees and Suppliers	<u>(2,216,948)</u>	<u>(2,108,670)</u>
Net Cash Provided by Operating Activities	<u>130,031</u>	<u>277,083</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Cash Paid for Equipment	(5,147)	
Proceeds from Sale of Assets	<u>720</u>	
Net Cash Used by Investing Activities	<u>(4,427)</u>	
NET INCREASE IN CASH AND CASH EQUIVALENTS	125,604	277,083
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,098,801</u>	<u>821,718</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>1,224,405</u></u>	<u><u>1,098,801</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	8,740	224,595
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation Expense	3,474	3,555
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	6,568	6,196
Decrease in Prepaid Expenses and Other	18,971	24,838
Increase in Accounts Payables and Accrued Expenses	<u>92,278</u>	<u>17,899</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 130,031</u></u>	<u><u>\$ 277,083</u></u>

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

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007

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, 2007

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, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of cash on hand at financial institutions.

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.

Comparative Totals

Comparative financial data for the prior year have been presented in sections of the accompanying financial statements in order to provide an understanding of the changes in the Board's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended September 30, 2006, 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.

NOTE 2: CASH AND CASH EQUIVALENTS

The Board maintains cash accounts in commercial banks. These accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$100,000. For the year ended September 30, 2007, the Board had a book balance of \$1,224,405. The bank balance was \$1,133,623 in excess of federally insured limits. However, these accounts are fully collateralized by the Lamb Board's commercial bank agreement with the Federal Reserve, as required by USDA/AMS.

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2007

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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 ALB 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.

The Board has chosen to accrue \$50,000 annually to a referendum reserve cash account. This reserve is designated to cover costs charged by USDA for its administration of the next Check-Off referendum, scheduled in 2009. In fiscal year 2007, the board approved placing these accumulated funds into certificates of deposit. To date, \$100,000 has been put into certificates of deposit.

NOTE 3: EQUIPMENT

Equipment consisted of the following:

	<u>September 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2007</u>
Equipment	\$ 12,584	\$ 5,147	\$ (1,729)	\$ 16,002
Less Accumulated Depreciation	<u>(8,783)</u>	<u>(3,474)</u>	<u>1,008</u>	<u>(11,249)</u>
Total	<u>\$ 3,801</u>	<u>\$ 1,673</u>	<u>\$ (721)</u>	<u>\$ 4,753</u>

Depreciation expense for the year ended September 30, 2007 was \$3,474.

NOTE 4: LEASE COMMITMENTS

In June 2006, the Association entered into a 38-month office space lease, ending July 2009, with The District at Southmoor Station. The following is a summary of future minimum lease payments:

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 2007

NOTE 4: LEASE COMMITMENTS

October 2007 through September 2008	\$ 21,932
October 2008 through July 2009	<u>20,588</u>
	<u>\$ 42,520</u>

The Association paid \$20,522 for office space rental during fiscal year 2006/2007.



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**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 as of and for the year ended September 30, 2007 and have issued our report thereon dated November 14, 2007. 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 American Lamb 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 American Lamb Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the American Lamb 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 American Lamb Board'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 American Lamb Board's financial statements that is more than inconsequential will not be prevented or detected by the American Lamb Board's internal control.

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 American Lamb Board's internal control.



Board of Directors
American Lamb Board

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.

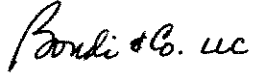
Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Lamb 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*.

We noted certain matters that we reported to management of the American Lamb Board in a separate letter dated November 14, 2007.

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

November 14, 2007


BONDI & Co. LLC

AMERICAN LAMB BOARD

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007

ADDENDUM TO YELLOW BOOK OPINION

In connection with our audit, nothing came to our attention that caused us to believe the 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.