

**LAMB PROMOTION, RESEARCH, AND INFORMATION
BOARD, DBA AMERICAN LAMB BOARD**

Financial Statements As Of
September 30, 2021 and 2020

Together With Independent Auditors' Report

JDS professional
group

certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lamb Promotion, Research, and Information Board, dba American Lamb Board:

We have audited the accompanying financial statements of the Lamb Promotion, Research, and Information Board, dba American Lamb Board (the "Board"), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Auditors' Report, (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lamb Promotion, Research, and Information Board, dba American Lamb Board as of September 30, 2021, 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.

Other Matters

In connection with our audit, nothing came to our attention that caused us to believe that the Board failed to comply with the provisions of Section 5D of the United States Department of Agriculture (the USDA) *USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs* dated January 2020, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Board's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues, expenses and changes in net assets - budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material aspects, in relation to the financial statements as a whole.

Reporting on Summarized Comparative Information

The financial statements of American Lamb Board as of September 30, 2020, were audited by other auditors, whose report dated January 8, 2021, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Independent Auditors' Report, (Continued)

Restricted Use Relating To The Other Matters

The purpose of the communication related to compliance with the aforementioned provisions of Section 5D of the USDA described in the other matters paragraph is solely to describe the scope of our testing of compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's compliance. Accordingly, this communication is not suitable for any other purpose.

Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2022 in 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 and 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 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 the Board's internal control over financial reporting and compliance.

JDS Professional Group

January 6, 2022

**LAMB PROMOTION, RESEARCH, AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Statements Of Financial Position

As Of September 30, 2021

(With Summarized Financial Information As Of September 30, 2020)

Page -4-

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 1,271,576	\$ 1,011,422
Investments	225,000	150,000
Accounts receivable	191,740	143,221
Prepaid expenses	8,369	8,867
Total Current Assets	<u>1,696,685</u>	<u>1,313,510</u>
 Equipment, net of accumulated depreciation		<u>1,592</u>
 TOTAL ASSETS	 <u><u>\$ 1,696,685</u></u>	 <u><u>\$ 1,315,102</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 169,053	\$ 67,736
Total Liabilities	<u>169,053</u>	<u>67,736</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	1,302,632	1,022,366
Designated	225,000	225,000
Total Net Assets Without Donor Restrictions	<u>1,527,632</u>	<u>1,247,366</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,696,685</u></u>	 <u><u>\$ 1,315,102</u></u>

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

**LAMB PROMOTION, RESEARCH, AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Statements Of Activities

For The Year Ended September 30, 2021

(With Summarized Financial Information As Of September 30, 2020)

Page -5-

	<u>2021</u>	<u>2020</u>
Revenue:		
Assessments	\$ 1,865,762	\$ 1,887,962
Interest income	1,145	3,784
Other	<u>15,511</u>	<u>11,943</u>
Total Revenue	<u>1,882,418</u>	<u>1,903,689</u>
Expenses:		
Program Services -		
Communications	236,365	299,630
Promotion	995,040	1,095,906
Research	<u>106,098</u>	<u>151,572</u>
Total Program Services	<u>1,337,503</u>	<u>1,547,108</u>
Support Services -		
Administration	132,009	165,819
USDA	<u>132,640</u>	<u>136,782</u>
Total Supporting Services	<u>264,649</u>	<u>302,601</u>
Total Expenses	<u>1,602,152</u>	<u>1,849,709</u>
CHANGES IN NET ASSETS FROM OPERATIONS	280,266	53,980
Net Assets, Beginning Of Year	<u>1,247,366</u>	<u>1,193,386</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,527,632</u></u>	<u><u>\$ 1,247,366</u></u>

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

**LAMB PROMOTION, RESEARCH, AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Statement Of Functional Expenses
For The Year Ended September 30, 2021
(With Summarized Financial Information As Of September 30, 2020)

	Program Services				Supporting Services			2020 Total
	Communications	Promotion	Research	Total	Administration	USDA	2021 Total	
Promotion	\$	\$ 721,663	\$	\$ 721,663	\$	\$	\$ 721,663	\$ 829,865
Communications	105,738			105,738			105,738	169,001
Research			106,098	106,098			106,098	151,572
USDA						132,640	132,640	136,782
Travel	1,991	6,314		8,305	14,845		23,150	62,314
Accounting and compliance					39,105		39,105	39,551
Legal								1,034
Audit					10,750		10,750	10,500
Professional services	2,113	5,494		7,607	845		8,452	9,198
Occupancy	9,630	25,039		34,669	3,852		38,521	37,446
Postage and shipping	25,918			25,918	1,801		27,719	22,954
Phone	1,847	4,801		6,648	739		7,387	7,298
Office supplies and equipment	2,601	6,762		9,363	1,040		10,403	7,033
Program management								
and other administration	86,129	223,932		310,061	58,873		368,934	362,773
Subtotal	235,967	994,005	106,098	1,336,070	131,850	132,640	1,600,560	1,847,321
Depreciation	398	1,035		1,433	159		1,592	2,388
TOTAL EXPENSES	\$ 236,365	\$ 995,040	\$ 106,098	\$ 1,337,503	\$ 132,009	\$ 132,640	\$ 1,602,152	\$ 1,849,709
% OF TOTAL EXPENSES				83.5%	8.2%	8.3%	100%	

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

**LAMB PROMOTION, RESEARCH, AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Statements Of Cash Flows

For The Years Ended September 30, 2021

(With Summarized Financial Information As Of September 30, 2020)

Page -7-

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ 280,266	\$ 53,980
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:		
Depreciation	1,592	2,388
Changes in operating assets and liabilities -		
(Increase) decrease in accounts receivable	(48,519)	32,141
Increase (decrease) in prepaid expenses	498	(713)
Increase in accounts payable and accrued expenses	101,317	(166,145)
Net cash provided by (used in) operating activities	<u>335,154</u>	<u>(78,349)</u>
Cash flows from investing activities:		
Purchases of investments	<u>(75,000)</u>	
Net cash (used in) investing activities	<u>(75,000)</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	260,154	(78,349)
Cash And Cash Equivalents, Beginning Of Year	<u>1,011,422</u>	<u>1,089,771</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,271,576</u>	<u>\$ 1,011,422</u>

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

**LAMB PROMOTION, RESEARCH, AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Notes To Financial Statements
For The Years Ended September 30, 2021

Page -8-

(1) **Nature Of Organization**

The American Lamb Board (the “Board”) is a not-for-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 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 complementary 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 \$0.007 per pound assessment of the weight of live ovines 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 stocker producer, etc. The first handler is also responsible for remitting \$0.42 per head for each ovine slaughtered. The owner at the time of export is known as the “exporter” and is responsible for collecting and remitting only the \$0.007 per pound of live ovines collected from the seller, including any weight added by the exporter, to the Board.

(2) **Summary Of Significant Accounting Policies**

Method Of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-profit Organizations*. Under this standard, the Board is required to report information regarding financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Board. These net assets may be used at the discretion of the Board’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Board or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity. The Board does not have any net assets with donor restrictions.

Measure Of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consists of those items attributable to the Board's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Board's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, the Board may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Board cannot reasonably estimate the impact at this time.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP), 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.

Fair Value Measurements

The Board follows *Fair Value Measurements* which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**LAMB, PROMOTION, RESEARCH AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Notes To Financial Statements (Continued)

Page -10-

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Board has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: The fair value of the certificates of deposit is based on original cost plus accrued interest.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Board believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

**LAMB, PROMOTION, RESEARCH AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Notes To Financial Statements (Continued)

Page -11-

Cash And Cash Equivalents

The Board considers all checking, savings, certificates of deposit and money market accounts with original maturities of ninety days or less to be cash and cash equivalents.

The Board's cash demand deposits are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. As of September 30, 2021, approximately \$1,021,000 was at risk. However, this excess is fully collateralized by the financial institution under a separate pledge agreement.

Accounts Receivable

Accounts receivable consist of remittances due from lamb producers for the National Lamb Check-Off Assessment for ovines that are subject to the assessment before September 30, 2021. Accounts receivable are recorded at the amount of the calculated assessment per ovine as determined by the American Lamb Check-Off Program. Management has determined an allowance for doubtful accounts to be unnecessary as accounts are considered fully collectible based on the legal requirements of the National Lamb Check-Off Assessment and the collection history.

Equipment

Equipment is stated at historical cost less accumulated depreciation. 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 \$2,500. Useful lives for equipment are three to five years.

Methods Used For Allocation Of Expenses From Management And General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include travel, professional services, occupancy, phone, office supplies and equipment, and program management and other administration which are allocated on a basis of estimates of time and effort and as agreed upon by the USDA.

**LAMB, PROMOTION, RESEARCH AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Prior Year Summarized Information

Certain prior-year comparative information has been reclassified to conform to the current year presentation. In addition the financial statements include certain prior-year summarized comparative information in total for the statement of functional expenses. Such information does 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, 2020, from which the summarized information was derived.

Revenue And Revenue Recognition

Assessments revenue consists of assessments imposed through the American Lamb Check-Off Program on the first handler and exporter of live ovines. The Board recognizes revenue from assessments during the period in which the performance obligations are met. The performance obligations consist of promotional and marketing efforts undertaken by the Board to increase market share of American Lamb and are satisfied as work is performed or deliverables are met over time. Payments are due to the Board either upon receipt or within 15 days of the subsequent month after the assessment was imposed.

Other revenue consists of direct sales of promotional items and merchandise and is recognized when a sale occurs. The performance obligation consists of delivering the goods to the customer. Revenue is recognized as the services are met.

The Board recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of September 30, 2021, the Board had no promises to give. Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met. As of September 30, 2021 the Board had no conditional promises to give.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of September 30, 2021, the Board had no net assets with donor restrictions.

**LAMB, PROMOTION, RESEARCH AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Notes To Financial Statements (Continued)

Page -13-

Advertising Costs

The Board expenses the production costs of advertising the first time the advertising takes place. Advertising expense consists primarily of online and magazine advertisements. Total advertising expense of \$26,572 for 2021, is included in promotion and communication expense.

Adoption of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers: Topic 606*, to supercede nearly all existing revenue recognition guidance relative to exchange transactions under U.S. GAAP. The Board adopted the provisions of this guidance on October 1, 2020, using the modified retrospective approach and applied the standard to contracts as of the date of adoption. The adoption did not have a material impact on the Board’s revenue recognition.

Subsequent Events

The Board has performed an evaluation of subsequent events through January 6, 2022, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) **Tax Exempt Status**

The Board is organized as a not-for-profit corporation formed under Internal Revenue Code Section 501(c)(5), which engages in activities under the aegis of the United States Department of Agriculture (the USDA); accordingly, no provision for income taxes is included in the accompanying financial statements. The Board is not a private foundation.

The Board follows *Accounting for Uncertainty in Income Taxes* which requires them to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended September 30, 2021, the Board’s management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

**LAMB, PROMOTION, RESEARCH AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Notes To Financial Statements (Continued)

Page -14-

The Board is no longer subject to U.S. federal income tax audits on its Form 990 by taxing authorities for years prior to 2018. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although the outcome of tax audits is uncertain, the Board believes no issues would arise.

(4) **Concentration Of Revenue Source**

The Board is dependant upon the purchase and sale of American Lambs and, as such, is limited in its prosperity by the performance of the American sheep industry.

The Board receives approximately 74% of the collected revenues from five suppliers. As such, the Board's revenues are dependant on the financial health of these five suppliers.

(5) **Liquidity And Availability Of Financial Assets**

The following represents the Board's financial assets for the year ended September 30, 2021:

Financial assets, at year end	
Cash and cash equivalents	\$ 1,271,576
Investments	225,000
Accounts receivable	191,740
Total Financial Assets	<u>1,688,316</u>
Less amounts not available to be used within one year:	
Designated net assets	<u>(225,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,463,316</u>

The Board seeks to manage its liquidity by leaving a sufficient portion of its assets in liquid cash and investment accounts in order to meet near-term obligations.

**LAMB, PROMOTION, RESEARCH AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Notes To Financial Statements (Continued)

Page -15-

(6) **Board-Designated Net Assets**

The Board of Directors has internally designated certain funds to cover any unforeseen cash flow requirements. These funds consist of investments on the statements of financial position. There was no activity in the designated net assets during the period.

The Board maintains an investment reserve in the amount of \$225,000. This reserve consists of the original \$75,000 that was set aside when the American Lamb Check-Off Program was established to cover the costs of phasing out operations at the Board if the American Lamb Check-Off Program was voted down. Subsequently, the Board added an additional \$150,000 to this reserve in order to cover any unforeseen cash flow requirements.

(7) **Office Lease**

In August of 2012, the Board entered into a five-year operating lease for office space which ended August 16, 2016. In June of 2016, the Board entered into a new five-year operating lease, ending November 30, 2021, with Alphapage, LLC. The lease contains two options to extend for a period of three years each, for a total of six additional years at the fair market rate. The future minimum lease payments are as follows:

<u>Year Ended September 30,</u>	
2022	\$ 38,700
2023	39,150
2024	40,140
2025	6,720
	<u>\$ 124,710</u>

The Board paid \$38,521 for office space and storage rental during fiscal year 2021.

(8) **New Accounting Pronouncements**

In December of 2018, FASB issued ASU No. 2018-20, *Leases*, which requires the Board to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statements of financial position. Entities will also be required to present additional disclosure as to the nature and extent of leasing activities. The requirements of this statement are effective for the Board's year ending September 30, 2023. The Board has not evaluated the impact due to the timing of implementation of this standard.

**LAMB PROMOTION, RESEARCH, AND INFORMATION BOARD, DBA
AMERICAN LAMB BOARD**

Supplemental Schedule of Revenues, Expenses, And Changes in Net Assets - Budget and Actual
For The Year Ended September 30, 2021

Page -16-

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Collections	\$ 1,650,000	\$ 1,650,000	\$ 1,865,762	\$ 215,762
Miscellaneous revenue - promo items	12,000	12,000	15,511	3,511
Interest income	1,000	1,000	1,145	145
Total Revenues	<u>1,663,000</u>	<u>1,663,000</u>	<u>1,882,418</u>	<u>\$ 219,418</u>
Expenses:				
Promotion	1,066,900	1,196,900	995,040	201,860
Communications	342,600	342,600	236,365	106,235
Research	80,000	102,000	106,098	(4,098)
USDA annual oversight	125,000	125,000	132,640	(7,640)
Administration	160,500	160,500	132,009	28,491
Total Expenses	<u>1,775,000</u>	<u>1,927,000</u>	<u>1,602,152</u>	<u>324,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ (112,000)</u>	<u>\$ (264,000)</u>	280,266	<u>\$ 544,266</u>
Net Assets - Beginning Of Year			<u>1,247,366</u>	
Net Assets - End Of Year			<u>\$ 1,527,632</u>	

INDEPENDENT AUDITORS' 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
Lamb, Research, and Information Board, dba American Lamb Board:

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 the Lamb, Research, and Information Board, dba American Lamb Board (the "Board"), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting ("internal control") to determine the 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 the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Independent Auditors' Report (Continued)

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from 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.

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

JDS Professional Group

January 6, 2022

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS REPORT ON COMPLIANCE

To the Board of Directors of
Lamb Promotion, Research, and Information Board, dba American Lamb Board:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the compliance with the provisions of Section 5D of the United States Department of Agriculture (the USDA) *USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs* dated January 2020, insofar as they relate to accounting matters by Lamb Promotion, Research, and Information Board, dba American Lamb Board (the "Board") during the year ended September 30, 2021, and have issued our report thereon dated January 6, 2022.

Management's Responsibility for Compliance

Management is responsible to ensure the compliance of all provisions of Section 5D of the USDA.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance of provisions of Section 5D of the USDA by the Board based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Board is compliant in accordance with provisions of Section 5D of the USDA.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, during the course of the audit, nothing came to our attention that caused us to believe that the Board had failed to comply with Section 1280.213 of the Lamb Promotion, Research and Information Order nor Section 5D of the United States Department of Agriculture *USDA Guidelines for AMS Oversight of Commodity Research and Promotion Programs* dated January 2020, which describe the type of instruments in which the Board may invest and the requirements of annual financial audits. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Lamb Promotion, Research, and Information Board, dba American Lamb Board as of and for the year ended September 30, 2021, and our report thereon January 6, 2022, expressed as an unmodified opinion on those financial statements.

Purpose of Report

This report is intended solely for the information and use of the Board of Directors, and management of the Lamb Promotion, Research, and Information Board, dba American Lamb Board, and for use of its various funding sources and is not intended to be and should not be used by anyone other than these specified parties.

JDS Professional Group

January 6, 2022