
AMERICAN LAMB BOARD

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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RubinBrown LLP
Certified Public Accountants
& Business Consultants

1900 Sixteenth Street
Suite 300
Denver, CO 80202

T 303.698.1883
F 303.777.4458

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Directors
American Lamb Board
Denver, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the American Lamb Board (the Board), a not-for-profit organization, which comprise the statement of financial position as of September 30, 2014 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.

Auditors' 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 and the 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 from 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 auditors' 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 opinion.

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, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report On Summarized Comparative Information

We have previously audited the Board's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 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 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.

RubinBrown LLP

January 12, 2015

AMERICAN LAMB BOARD

STATEMENT OF FINANCIAL POSITION September 30, 2014 (With Comparative Totals For September 30, 2013)

	Assets	
	2014	2013
Cash and cash equivalents	\$ 1,282,824	\$ 1,074,747
Accounts receivable	217,561	221,830
Prepaid expenses	4,097	8,264
Total Current Assets	1,504,482	1,304,841
Equipment (net of accumulated depreciation) (Note 4)	2,840	6,410
Total Assets	\$ 1,507,322	\$ 1,311,251
	Liabilities And Net Assets	
Liabilities		
Accounts payable and accrued expenses	\$ 295,883	\$ 176,502
Net Assets		
Unrestricted		
Undesignated	986,439	909,749
Board designated (Note 3)	225,000	225,000
Total Net Assets	1,211,439	1,134,749
Total Liabilities And Net Assets	\$ 1,507,322	\$ 1,311,251

AMERICAN LAMB BOARD

STATEMENT OF ACTIVITIES

For The Year Ended September 30, 2014

(With Comparative Totals For The Year Ended September 30, 2013)

	2014	2013
Revenues		
Collections	\$ 2,584,890	\$ 2,154,947
Interest income	1,262	1,400
Other	5,785	7,410
Total Revenues	2,591,937	2,163,757
Expenses		
Program expenses		
Communications	332,585	260,623
Promotion	1,608,753	1,504,737
Research	346,949	217,985
Total Program Expenses	2,288,287	1,983,345
Support services		
Administration	174,101	153,133
USDA	52,859	27,515
Total Support Services	226,960	180,648
Total Expenses	2,515,247	2,163,993
Change In Net Assets	76,690	(236)
Net Assets, Beginning Of Year	1,134,749	1,134,985
Net Assets, End Of Year	\$ 1,211,439	\$ 1,134,749

AMERICAN LAMB BOARD

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2014

(With Comparative Totals For The Year Ended September 30, 2013)

Expenses	Program Expenses			Support Services		Total 2014	Total 2013
	Communications	Promotion	Research	Administration	USDA		
Promotion	\$ —	\$ 1,380,764	\$ —	\$ —	\$ —	\$ 1,380,764	\$ 1,278,249
Communications	219,022	—	—	—	—	219,022	151,949
Research	—	—	346,949	—	—	346,949	217,985
USDA	—	—	—	—	52,859	52,859	27,515
Travel	13,589	25,062	—	72,474	—	111,125	99,862
Accounting and compliance	—	—	—	41,387	—	41,387	48,019
Legal	—	—	—	1,100	—	1,100	—
Audit	—	—	—	9,200	—	9,200	8,928
Professional	944	2,454	—	377	—	3,775	2,200
Occupancy	7,351	19,112	—	2,940	—	29,403	24,787
Postage and shipping	22,035	275	—	2,405	—	24,715	25,987
Phone	2,531	6,582	—	1,013	—	10,126	9,875
Office supplies and equipment	2,174	5,651	—	869	—	8,694	17,026
Depreciation (Note 4)	892	2,321	—	357	—	3,570	2,807
Program management and other administration	64,047	166,532	—	41,979	—	272,558	248,804
Total Expenses	\$ 332,585	\$ 1,608,753	\$ 346,949	\$ 174,101	\$ 52,859	\$ 2,515,247	\$ 2,163,993

AMERICAN LAMB BOARD

STATEMENT OF CASH FLOWS

For The Year Ended September 30, 2014

(With Comparative Totals For The Year Ended September 30, 2013)

	2014	2013
Cash Flows From Operating Activities		
Cash received from collections	\$ 2,589,159	\$ 2,121,336
Interest received	1,262	1,400
Cash received from other sources	5,785	7,410
Cash paid to employees and suppliers	(2,388,129)	(2,154,792)
Net Cash Provided By (Used In) Operating Activities	208,077	(24,646)
Cash Flows Used In Investing Activities		
Cash paid for acquisition of equipment	—	(3,854)
Net Increase (Decrease) In Cash And Cash Equivalents	208,077	(28,500)
Cash And Cash Equivalents, Beginning Of Year	1,074,747	1,103,247
Cash And Cash Equivalents, End Of Year	\$ 1,282,824	\$ 1,074,747
Reconciliation Of Change In Net Assets To Net Cash Provided By (Used In) Operating Activities		
Change in net assets	\$ 76,690	\$ (236)
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By (Used In) Operating Activities		
Depreciation expense	3,570	2,807
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	4,269	(33,611)
(Increase) decrease in prepaid expenses and other	4,167	(5,066)
Increase in accounts payable and accrued expenses	119,381	11,460
Net Cash Provided By (Used In) Operating Activities	\$ 208,077	\$ (24,646)

AMERICAN LAMB BOARD

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

1. Summary Of Significant Accounting Policies

Nature Of The Organization

The American Lamb Board (the Board) is a nonprofit organization consisting of a 14-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 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 stock 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.

Basis Of Accounting

The accompanying financial statements are prepared using the accrual basis 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 Financial Statements (*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, 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 Internal Revenue Code Section 501(c)(5), which engages in activities under the aegis of the United States Department of Agriculture (USDA); accordingly, no provision for income taxes is included in the accompanying financial statements. The Board is not a private foundation. The Board's federal and state tax returns for the years 2010 and 2009, respectively, and later remain subject to examination by taxing authorities.

Basis Of Presentation

The accompanying financial statements are presented in accordance with the Financial Accounting Standards Board in its Accounting Standards Codification topic, *Financial Statements of Not-For-Profit Organizations*, which defines not-for-profit financial statement presentation, requires the presentation of a statement of cash flows and requires balances and activities to be classified based on the presence or absence of donor-imposed restrictions.

Under this topic, 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.

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.

AMERICAN LAMB BOARD

Notes To Financial Statements (*Continued*)

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, 2014. Accounts receivable are recorded at the amount of the calculated assessment per ovine based on the American Lamb Check-Off Program described previously. 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 Program and the collection history of accounts receivable.

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 to 5 years.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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, 2013, from which the summarized information was derived.

Concentrations

The Board is dependent 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 77% of the collected 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, radio, online and media kits. Total advertising expense of \$54,215 for 2014 is included in promotion and communication expense.

AMERICAN LAMB BOARD

Notes To Financial Statements (Continued)

2. Cash And Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of less than one year. The Board places its temporary cash investments with high-credit-quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limit. These accounts are fully collateralized by the Board's commercial bank agreement with the Federal Reserve, as required by the USDA Agricultural Marketing Service.

3. Net Assets

Unrestricted - Board-Designated Net Assets

The Board of Directors (the Directors) has designated certain funds to cover any unforeseen cash flow requirements. These funds consist of cash equivalents on the statement of financial position. There was no activity in the Director-designated net assets during the period.

The Board maintains a cash reserve in the amount of \$225,000. This fund 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. The Board added an additional \$150,000 to this fund in order to cover any unforeseen cash flow requirements.

4. Equipment

Equipment consisted of the following:

	<u>October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2014</u>
Equipment	\$ 17,448	\$ —	\$ —	\$ 17,448
Accumulated depreciation	(11,038)	(3,570)	—	(14,608)
Total	\$ 6,410	\$ (3,570)	\$ —	\$ 2,840

Depreciation expense for the year ended September 30, 2014 was \$3,570.

AMERICAN LAMB BOARD

Notes To Financial Statements (*Continued*)

5. Lease Commitments

In August 2012, the Board entered into a five-year office space lease, ending August 31, 2016, with Maxsam Capital Corporation. In April 2014, the Board amended this agreement for additional office space, ending August 31, 2016. The future minimum lease payments are as follows:

Fiscal Year Ended	
September 30,	
2015	\$ 28,043
2016	24,612
Total	\$ 52,655

The Board paid \$29,403 for office space and storage rental during fiscal 2014.

6. Related-Party Transactions

In 2014, the Board purchased lamb from Anderson Ranches, a related party, for various promotional events. Related-party purchases totaled \$9,050 for the year ended September 30, 2014.

7. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 12, 2015, the date the financial statements were available to be issued.



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& Business Consultants

1900 Sixteenth Street
Suite 300
Denver, CO 80202

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W rubinbrown.com
E info@rubinbrown.com

**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***

Board of Directors
American Lamb Board
Denver, Colorado

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 American Lamb Board (the Board), as of September 30, 2014, 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 12, 2015.

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.

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. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

January 12, 2015



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& Business Consultants

1900 Sixteenth Street
Suite 300
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F 303.777.4458

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Report Of Independent Certified Public Accountants

Board of Directors
American Lamb Board
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial position and the related statements of activities, functional expenses and cash flows of the American Lamb Board (the Board) as of and for the year ended September 30, 2014, and have issued our report thereon dated January 12, 2015.

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 (the 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.

This report is intended solely for the information and use of the Board of Directors and management of the Board, others within the organization and the U.S. Department of Agriculture and is not intended to be, and should not be, used by anyone other than these specified parties.

RubinBrown LLP

January 12, 2015