

**ALBERTA LAMB PRODUCERS
FINANCIAL STATEMENTS
AUGUST 31, 2011**

INDEPENDENT AUDITOR'S REPORT

To the Directors of Alberta Lamb Producers

I have audited the accompanying financial statement of Alberta Lamb Producers which comprise the statement of financial position as at August 31, 2011 and the statement of operations, statement of cash flow and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. I am also required to comply with applicable ethical requirements.

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 preparations 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, the auditor expresses no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, except for the possible effects of adjustments, if any, which might have been required had I been able to satisfy myself regarding completeness of transactions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2011 and the results of its operations, cash flow and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The financial statements as at August 31, 2010 and for the year then ended were audited by another auditor who expressed an opinion with reservation on those financial statements in their report dated October 12, 2010.

Blakley Chartered Accountant
Professional Corporation

Airdrie, Alberta
October 11, 2011

**ALBERTA LAMB PRODUCERS
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2011**

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and short term deposits (note 3)	\$ 277,949	\$ 513,186
Accounts receivable	15,351	19,566
Goods and services tax receivable	968	4,694
Prepaid expenses	<u>23,586</u>	<u>1,507</u>
	317,854	538,953
 PROPERTY AND EQUIPMENT (note 4)	 3,399	 3,854
 OTHER ASSETS	 <u>10,000</u>	 <u>10,101</u>
	<u><u>\$ 331,253</u></u>	<u><u>\$ 552,908</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 31,803	\$ 10,871
 DEFERRED CONTRIBUTIONS (note 5)	 <u>80,222</u>	 <u>314,444</u>
	112,025	325,315
 NET ASSETS		
Net assets invested in capital assets	3,399	3,854
Net assets restricted (note 6)	29,378	30,000
Net assets unrestricted	<u>186,451</u>	<u>193,739</u>
	<u>219,228</u>	<u>227,593</u>
	<u><u>\$ 331,253</u></u>	<u><u>\$ 552,908</u></u>

Commitments (note 9)

Approved on Behalf of the Board

**ALBERTA LAMB PRODUCERS
STATEMENT OF EXCESS OF REVENUE OVER EXPENSES
YEAR ENDED AUGUST 31, 2011**

	2011	2010
REVENUE		
<u>Checkoff Revenue</u>		
Checkoff - Sheep	\$ 178,735	\$ 176,252
Checkoff - Wool	5,181	4,682
	<hr/>	<hr/>
	183,916	180,934
 <u>Grant Revenue</u>	 297,550	 865,350
 <u>Other Revenue</u>		
Sponsorship (CSF AGM)	4,920	-
Advertising	4,040	-
Recoveries	3,830	682
Interest	1,418	862
Manuals, programs and courses	1,064	7,408
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	15,272	8,952
 TOTAL REVENUE	 <u><u>\$ 496,738</u></u>	 <u><u>\$ 1,055,236</u></u>
EXPENSES		
<u>Checkoff Expenses</u>		
Checkoff refunds	16,215	-
 <u>Grant Expenses</u>		
Lamb traceability	227,483	607,771
Business plan implementaion	19,481	174,294
Illegal lamb trade	16,330	36,750
Information management	15,203	23,964
Checkoff transition grant	13,195	-
Alberta lamb promotion	1,507	2,130
	<hr/>	<hr/>
	293,199	844,909
 <u>Advocacy</u>		
CSF fees and expenses	20,654	20,813
Industry liason	9,041	11,448
Travel and conferences	3,902	-
ID program	500	2,243
	<hr/>	<hr/>
	34,097	34,504
 <u>Extension</u>		
Newsletter and advertising	22,361	18,810
Advertising and promotion	2,092	-

Flock health	2,316	1,335
Education	1,609	14,084
Other extension projects	1,544	2,696
Alberta Farm Animal Care (AFAC)	<u>1,431</u>	<u>1,368</u>
	31,353	38,293
<u>Operating Expenses</u>		
Salaries and wages	74,508	73,146
Directors expenses	32,142	16,393
Audit and legal	8,000	8,500
Administration and communications	6,074	6,059
Insurance	3,823	3,850
Meeting expenses	3,573	1,536
Loss on disposal of assets	1,064	-
Amortization	<u>1,056</u>	<u>804</u>
	130,240	110,288
TOTAL EXPENSES	<u>\$ 505,103</u>	<u>\$ 1,027,994</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(8,365)</u>	<u>27,242</u>
NET ASSETS, beginning of year	<u>204,709</u>	<u>177,467</u>
NET ASSETS, end of year	<u><u>\$ 196,344</u></u>	<u><u>\$ 204,709</u></u>

**ALBERTA LAMB PRODUCERS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2011**

	Invested in Capital Assets	Restricted (note 6)	Unrestricted	Total 2011	Total 2010
Net assets, beginning of year	\$ 3,854	\$ 30,000	\$ 193,739	\$ 227,593	\$ 200,351
Excess (deficiency) of revenues over expenses	(2,120)	(622)	(5,623)	(8,365)	27,242
Invested in capital assets	1,665	-	(1,665)	-	-
Net assets, end of year	\$ 3,399	\$ 29,378	\$ 186,451	\$ 219,228	\$ 227,593

**ALBERTA LAMB PRODUCERS
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2011**

	2011	2010
CASH PROVIDED BY OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ (8,365)	\$ 27,242
Items not affecting cash		
Amortization	1,056	804
Loss on disposal of assets	1,064	-
	<u>(6,245)</u>	<u>28,046</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	4,215	(3,446)
Decrease (increase) in goods and services tax	3,726	(2,166)
Decrease (increase) in other assets	101	-
Decrease (increase) in prepaid expenses	(22,079)	37,647
Increase (decrease) in accounts payable	20,932	(18,110)
Increase (decrease) in deferred contributions	(234,222)	34,429
	<u>(233,572)</u>	<u>76,400</u>
CASH (USED FOR) INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,665)</u>	<u>(1,499)</u>
	(1,665)	(1,499)
NET INCREASE (DECREASE) IN CASH	(235,237)	74,901
CASH, beginning of year	<u>513,186</u>	<u>438,285</u>
CASH, end of year	<u><u>\$ 277,949</u></u>	<u><u>\$ 513,186</u></u>
CASH CONSISTS OF:		
Producer funds	\$ 197,727	\$ 198,742
Project funds	<u>80,222</u>	<u>314,444</u>
	<u><u>\$ 277,949</u></u>	<u><u>\$ 513,186</u></u>

**ALBERTA LAMB PRODUCERS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

1. Nature of operations:

Alberta Lamb Producers (the "Organization") is a producer supported organization that operates under regulation of the Marketing of Agricultural Products Act of the Province of Alberta. Its mandate is the promotion and enhancement of the sheep and wool industry in Alberta.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The following are the accounting policies that management believe are significant to the Organization.

(a) Cash

Cash is made up of balances held with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

(b) Property and equipment

Purchased property and equipment is recorded at cost less accumulated amortization. Contributed property and equipment is recorded at fair value at the date of contribution less accumulated amortization. All leases are reviewed to determine if they are operating or capital in nature. Property and equipment is amortized over their estimated useful lives at the following rates and methods:

Assets	Methods	Rate
Office Equipment	deminishing balance	20%
Computer Equipment	deminishing balance	30%
Leasehold Improvements	deminishing balance	20%

(c) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Contributions that are restricted by the funder, are recognized as revenue in the year in which the related expense is incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Contributed materials and services

The Organization records the value of donated materials and services when the fair value can be reasonably estimated and when the material and services are used in the normal course of the Organization's operations and would otherwise have been purchased. Because of the difficulty in determining their fair value, contributed services are not recognized within the financial statements.

(e) Other Assets

Other Assets are valued at the lower of cost and net realizable value and are not expected to be realized over the upcoming year.

(f) Financial instruments

The Organization has classified the following financial assets and liabilities as held for trading: unrestricted cash, restricted cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Organization is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying value due to their short term nature.

(g) Use of estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the statement of excess of revenues over expenses in the periods in which they become known.

(h) Income taxes

The Organization is a non-taxable entity under the Income Tax Act (the "Act") and as such, is exempt from filing an income tax return.

3. Cash:

	2011	2010
Unrestricted funds - general operating account	\$ 232,495	\$ 450,148
Unrestricted funds - short term investments (GIC's)	45,454	63,038
Total Unrestricted Funds	\$ 277,949	\$ 513,186
Total cash and cash equivalents	\$ 277,949	\$ 513,186

4. Property and equipment:

	Cost	Accumulated Amortization	Net 2011	Net 2010
Office furniture and equipment	\$ 5,591	\$ 4,041	\$ 1,550	\$ 2,208
Computer equipment	3,822	2,334	1,488	1,194
Leasehold improvements	2,154	1,792	362	452
	\$ 11,566	\$ 8,167	\$ 3,399	\$ 3,854

5. Deferred contributions:

Deferred contributions represent unspent funds received by the Organization designated by the funder for a specific purpose.

	2011	2010
Beginning balance	\$ 314,444	\$ 280,015
Contributions recognized as revenue in the year	(269,400)	899,765
Contributions paid back to funders in the year	(3,450)	-
Contributions received relating to future years	38,628	(865,336)
Ending balance	\$ 80,222	\$ 314,444

Deferred contributions are comprised of the following:

	2011	2010
Lakeland carcass sire	\$ 31,697	\$ 36,995
Illegal lamb trade	-	16,830
Lamb traceability	48,525	225,293
Information management	-	4,046
Business plan implementation	-	19,799
Refundable check-off transition	-	11,481
Ending balance	\$ 80,222	\$ 314,444

6. Restricted net assets

The Board of Directors has internally restricted funds to leverage and application to Alberta Meat and Livestock Agency to fund a producer education program in the future.

7. Capital management

The Organization's objective in managing capital is to ensure that necessary funds are in place to provide continued promotion and enhancement of the sheep and wool industry. The Organization manages capital through annual budgeting techniques, and by continuously monitoring the need for funding of various expenditures. The Organization's capital is maintained through revenue generating activities and through funding and grants.

The Organization's capital is defined as net assets and deferred contributions which at August 31, 2011 total \$292,438 (August 31, 2010 - \$542,037).

All funding received which has not been spent on eligible expenses has been deferred.

8. Commitments and contracts

The Organization has signed an agreement (along with other provincial sheep associations) which permits the Canadian Sheep Foundation to administer the Canadian Sheep Identification Program. The purpose of this agreement is to govern the distribution and sale of approved tags to sheep producers across Canada. Alberta Lamb Producers has contracted with the Canadian Co-Operative Wool Growers Ltd. to act as exclusive distributor and agent of the approved tags in Alberta until December 31, 2012, and automatically renewed every year thereafter unless the contract is renegotiated or terminated by either party.

The Organization has signed contracts for services with two consulting companies totaling \$79,000 of which \$31,250 has been paid or accrued for as at August 31, 2011. These contracts cover services to be provided by March 31, 2012 relating to certain funded projects.

9. Related party transactions

During the year, the Organization paid fees and reimbursed expenses to directors totalling \$32,142 (2010 - \$30,210)

10. Comparative information

Certain comparative information has been restated to be consistent with current year presentation.