

# **Alberta Livestock and Meat Agency Ltd.**

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**Financial Statements**

**For the 2 Month Period Ended  
March 31, 2009**

# Alberta Livestock and Meat Agency Ltd.

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Financial Statements

For the 2 months ended  
March 31, 2009

## CONTENTS

|     |  |
|-----|--|
| 149 | <b>Auditor's Report</b>                  |
| 150 | <b>Statement of Operations</b>           |
| 151 | <b>Statement of Financial Position</b>   |
| 152 | <b>Statement of Cash Flows</b>           |
| 153 | <b>Notes to the Financial Statements</b> |
| 157 | <b>Schedule of Salary and Benefits</b>   |



## Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

I have audited the statement of financial position of the Alberta Livestock and Meat Agency Ltd. as at March 31, 2009 and the statements operations and cash flows for the period then ended. These financial statements are the responsibility of the Agency's management. 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 an audit to obtain reasonable assurance 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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Fred J. Dunn]

FCA  
Auditor General

Edmonton, Alberta  
May 26, 2009

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

FOR THE 2 MONTHS ENDED MARCH 31, 2009  
(in thousands)

|                                     | <b>2009</b>     |
|-------------------------------------|-----------------|
|                                     | <b>Actual</b>   |
| <b>Revenues</b>                     |                 |
| Internal Government Transfers       | \$ 4,000        |
| Investment Income                   | 1               |
|                                     | <b>4,001</b>    |
| <b>Expenses - Directly Incurred</b> |                 |
| Corporate Administration            |                 |
| Corporation start-up costs          | 390             |
| General administration              | 146             |
| Board and Committees                | 118             |
| Market Development                  | 20              |
| Supply Chain Development            | 1               |
| Strategic Development               | 21              |
|                                     | <b>696</b>      |
| <b>Net Operating Results</b>        | <b>\$ 3,305</b> |

*The accompanying notes and schedule  
are part of these financial statements.*

Original signed by:

Joe Mackowecki, Chair of the Board

Kim McConnell, Director

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

(in thousands)

2009

**Assets (Note 3)**

|                                  |    |               |
|----------------------------------|----|---------------|
| Cash and Cash Equivalents        | \$ | 25,688        |
| Accounts Receivable              |    | 42            |
| Investments (Note 4)             |    | 8,044         |
| Prepaid Expenses                 |    | 7             |
| Tangible Capital Assets (Note 5) |    | 622           |
|                                  | \$ | <b>34,403</b> |

**Liabilities (Note 3)**

|  |    |               |
|--|----|---------------|
| Accounts Payable and Accrued Liabilities | \$ | 1,347         |
| Grants Payable                           |    | 18            |
| Unearned Revenue (Note 6)                |    | 29,733        |
|  | \$ | <b>31,098</b> |

**Net Assets**

|                                   |    |               |
|-----------------------------------|----|---------------|
| Net Assets at Beginning of Period | \$ | -             |
| Net Operating Results             |    | 3,305         |
| Net Assets at End of Period       |    | 3,305         |
|                                   | \$ | <b>34,403</b> |

*The accompanying notes and schedule  
are part of these financial statements.*

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

FOR THE 2 MONTHS ENDED MARCH 31, 2009

(in thousands)

2009

**Operating Transactions**

|  |    |              |
|--|----|--------------|
| Net Operating Results  | \$ | 3,305        |
| Non-cash items included in Net Operating Results -<br>Amortization |    | 1            |
|  |    | <b>3,306</b> |
| Increase in Accounts Receivable                                    |    | (1)          |
| Increase in Accounts Payable and Accrued Liabilities               |    | 1,309        |
| <b>Cash Provided by Operating Transactions</b>                     |    | <b>4,614</b> |

**Capital Transactions**

|   |  |              |
|---|--|--------------|
| Acquisition of Tangible Capital Assets      |  | (614)        |
| <b>Cash Applied to Capital Transactions</b> |  | <b>(614)</b> |

**Financing Transactions**

|   |  |               |
|---|--|---------------|
| Cash & Cash Equivalents provided by Transfer of Industry Funds (Note 3) |  | 21,688        |
| <b>Cash Provided by Financing Transactions</b>                          |  | <b>21,688</b> |

|  |  |               |
|--|--|---------------|
| <b>Increase in Cash and Cash Equivalents</b> |  | <b>25,688</b> |
|--|--|---------------|

|   |  |   |
|---|--|---|
| <b>Cash and Cash Equivalents, Beginning of Period</b> |  | - |
|---|--|---|

|   |    |               |
|---|----|---------------|
| <b>Cash and Cash Equivalents, End of Period</b> | \$ | <b>25,688</b> |
|---|----|---------------|

*The accompanying notes and schedule  
are part of these financial statements.*

## Notes to the Financial Statements for the 2 Months Ended March 31, 2009

### Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. was incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta).

The Alberta Livestock and Meat Agency Ltd. (ALMA) is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the *Income Tax Act*.

ALMA was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

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### Note 2 Summary of Significant Accounting Policies and Reporting Practices

This financial information is prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below which have been established by government for Provincial Corporations.

#### Basis of Financial Reporting

**Revenues** - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

*Internal Government Transfers* - Internal government transfers are transfers between entities within the government reporting entity making the transfer does not receive any goods or services directly in return.

#### Expenses

*Directly Incurred* - Directly incurred expenses are those costs that ALMA has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to the program operating expenses such as salaries, supplies, etc., directly incurred expenses also include amortization of tangible capital assets.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

**Assets** - Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period of maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and grants payable.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in value of the investment, then the invests are written down to recognize the decline. Gains and losses realized on disposal of investments are included in investment income.

Tangible capital assets are recorded at historical cost and amortized on a straight-line basis over the estimate useful lives of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for all other tangible capital assets is \$5,000.

**Liabilities** - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met and reasonable estimate of the amounts can be made.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices - continued

**Net Assets** - Net assets represents the difference between the carrying value of assets held by ALMA and its liabilities.

### Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

The fair value of short-term investments has been described in Note 4. When the market value of short-term investments has declined below the carrying value, the investments will be recorded at market value.

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## Note 3 Transfer of Industry Funds

(in thousands)

As at March 31, 2009 ALMA assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements dated for reference March 16, 2009, with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The result of this transfer will be for ALMA to assume responsibility for the delivery of provincially sponsored programs from these two industry funds.

The value of assets and liabilities transferred to ALMA are listed below:

|  | ALIDF            | DLFOA           | Total            |
|--|------------------|-----------------|------------------|
| <b>Assets</b>                            |                  |                 |                  |
| Cash and cash equivalents                | \$ 16,474        | \$ 5,214        | \$ 21,688        |
| Investments                              | 8,044            | -               | 8,044            |
| Accounts receivable                      | 40               | 1               | 41               |
| Prepaid expenses                         | 7                | -               | 7                |
| Tangible capital assets                  | 9                | -               | 9                |
|  | <u>\$ 24,574</u> | <u>\$ 5,215</u> | <u>\$ 29,789</u> |
| <b>Liabilities</b>                       |                  |                 |                  |
| Accounts payable and accrued liabilities | \$ 38            | \$ -            | \$ 38            |
| Grants payable                           | 18               | -               | 18               |
| Unearned revenue                         | 24,518           | 5,215           | 29,733           |
|  | <u>\$ 24,574</u> | <u>\$ 5,215</u> | <u>\$ 29,789</u> |

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## Note 4 Investments

(in thousands)

|                                  |                 |
|----------------------------------|-----------------|
| Canadian bonds - other provinces | \$ 703          |
| Canadian equities                | 4,609           |
| US equities                      | 1,601           |
| International equities           | 1,131           |
|                                  | <u>\$ 8,044</u> |

These investments were transferred to ALMA from ALIDF on March 31, 2009. The cost of the investments to ALMA is the fair market value on the date of the transfer; accordingly, the market value and cost are the same on that day.

## Note 5 Tangible Capital Assets

| Estimated Useful Life                   | Equipment<br>and<br>Vehicles |            | 2009<br>Totals |            |
|---|------------------------------|------------|----------------|------------|
|   | 10 years                     |            |                |            |
|   | <i>(in thousands)</i>        |            |                |            |
| <b>Historical Cost</b>                  |                              |            |                |            |
| Beginning of year                       | \$                           | -          | \$             | -          |
| Additions                               |                              | 623        |                | 623        |
| Disposals                               |                              | -          |                | -          |
|   | <u>\$</u>                    | <u>623</u> | <u>\$</u>      | <u>623</u> |
| <b>Accumulated Amortization</b>         |                              |            |                |            |
| Beginning of year                       | \$                           | -          | \$             | -          |
| Amortization expense                    |                              | 1          |                | 1          |
| Effect of disposals                     |                              | -          |                | -          |
|   | <u>\$</u>                    | <u>1</u>   | <u>\$</u>      | <u>1</u>   |
| <b>Net Book Value at March 31, 2009</b> | <u>\$</u>                    | <u>622</u> | <u>\$</u>      | <u>622</u> |

Additions include \$9 tangible capital assets received from ALIDF at the date of transfer on March 31, 2009 for those assets that meet the capitalization criteria where original cost exceeds \$5,000.

## Note 6 Unearned Revenue

*(in thousands)*

The transfer of industry funds from ALIDF and DLFOA includes restricted fund obligations assumed by ALMA which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

|   | Contractual<br>Obligations | Approved and<br>Not Yet<br>Contracted | Other<br>Unearned<br>Revenue | Total            |
|---|----------------------------|---------------------------------------|------------------------------|------------------|
|   | <i>(in thousands)</i>      |                                       |                              |                  |
| ALIDF Fund 1 - 2001 Industry Development Initiative                   | \$ 265                     | \$ -                                  | \$ 4                         | \$ 269           |
| ALIDF Fund 2 - 2004 Post BSE Commercialization<br>and Development     | 13,870                     | 1,220                                 | 204                          | 15,294           |
| ALIDF Fund 3 - 2006 Research and Development<br>Initiative            | 4,294                      | -                                     | 12                           | 4,306            |
| ALIDF Fund 4 - 2007 Bluetongue and Anaplasmosis                       | 467                        | -                                     | -                            | 467              |
| ALIDF Fund 5 - 2008 Competitiveness Initiative                        | 34                         | -                                     | 1                            | 35               |
| ALIDF Fund 6 - 2008 Agriculture Environmental Initiative              | -                          | 300                                   | -                            | 300              |
| ALIDF Fund 7 - 2008 Enhanced Livestock and Meat<br>Sector Initiative  | 627                        | 2,278                                 | 942                          | 3,847            |
| DLFOA Fund 1 - 2001 Diversified Livestock Initiative                  | -                          | -                                     | 30                           | 30               |
| DLFOA Fund 2 - 2005 Diversified Livestock Initiative                  | -                          | -                                     | 21                           | 21               |
| DLFOA Fund 3 - 2006 Development Initiatives                           | 82                         | -                                     | 103                          | 185              |
| DLFOA Fund 5 - 2008 Diversified Livestock Research<br>and Development | 108                        | 1,601                                 | 3,270                        | 4,979            |
|   | <u>\$ 19,747</u>           | <u>\$ 5,399</u>                       | <u>\$ 4,587</u>              | <u>\$ 29,733</u> |

**Note 7 Contractual Obligations**

*(in thousands)*

ALMA has obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of ALIDF and DLFOA (\$19,747). In addition, ALMA has assumed a lease obligation from ALIDF expiring in October 2009 (\$45).

The aggregate amounts payable for the terms of these contractual obligations are as follows:

|      |    |               |
|------|----|---------------|
| 2010 | \$ | 13,696        |
| 2011 |    | 4,524         |
| 2012 |    | 1,461         |
| 2013 |    | 111           |
|      | \$ | <u>19,792</u> |

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**Note 8 Related Party Balances and Transactions**

*(in thousands)*

ALMA received an operating grant from the Department in the amount of \$4,000, which is identified as an internal government transfer in the Statement of Operations.

The transfer from ALIDF included a grant to the Department where the approval to pay the grant had been received in principle, however since eligibility criteria had not been met under the terms of the applications as at March 31, 2009, the remaining commitment of \$1,810 has been included in unearned revenue.

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ALBERTA LIVESTOCK AND MEAT AGENCY LTD.  
SCHEDULE OF SALARY AND BENEFITS DISCLOSURE  
FOR THE PERIOD JULY 3, 2008 TO MARCH 31, 2009

|  | 2009  |  |                                       |   | Total      |
|--|---|--|---------------------------------------|---|------------|
|  | Base Salary -<br>Pre-<br>Incorporation <sup>(1)</sup> | Base Salary -<br>Post-<br>Incorporation <sup>(1)</sup> | Other Cash<br>Benefits <sup>(2)</sup> | Other Non-Cash<br>Benefits <sup>(3)</sup> |            |
| Chairman of Board <sup>(4)</sup>                           | \$ 110,000  | \$ 6,000   | \$ -                                  | \$ -                                      | \$ 116,000 |
| Board Members <sup>(4)(5)</sup>                            | 156,800   | 82,550   | -                                     | -   | 239,350    |
| President and<br>Chief Executive Officer <sup>(4)(6)</sup> | 95,943  | 28,551   | 7,415                                 | 27,091                                    | 159,001    |

Prepared in accordance with Treasury Board Directive 12/98 as amended.

Total salary and benefits relating to a position are disclosed.

- <sup>(1)</sup> Base salary includes fees for Chair and Board members and base pay for employees. Pre-incorporation costs were paid by the Department of Agriculture and Rural Development.
- <sup>(2)</sup> Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.
- <sup>(3)</sup> Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- <sup>(4)</sup> The President and Chief Executive Officer and board members were appointed prior to incorporation.
- <sup>(5)</sup> The Board consists of ten members including the Chairman and the President and Chief Executive Officer, whose salaries are disclosed separately. Board members were appointed throughout the year, and appointments will continue until all positions have been filled.
- <sup>(6)</sup> The position was occupied by two individuals during the year.