

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

FINANCIAL STATEMENTS
Year ended March 31, 2014

Independent Auditor's Report

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Livestock and Meat Agency Ltd., which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 comply with ethical requirements and 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 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. 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, the financial statements present fairly, in all material respects, the financial position of the Alberta Livestock and Meat Agency Ltd., as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2014
Edmonton, Alberta

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014
(in thousands)

	2014		2013
	Budget	Actual	(Restated)
	(Schedule 4)		
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 28,923	\$ 27,689	\$ 35,099
Investment Income	250	62	81
Other Revenue	1,399	1,413	2,348
	30,572	29,164	37,528
Expenses			
Industry Investment	12,501	10,847	14,862
Strategic Initiatives	12,014	13,763	16,860
Corporate Services	4,558	3,524	3,451
Livestock Development	1,279	1,244	2,137
	30,352	29,378	37,310
Annual operating (deficit) surplus	\$ 220	\$ (214)	\$ 218

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors:

Dr. David Chalack, Chair of the Board

Ron Jackson, Chair, Audit, Finance and Risk Committee

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014
(in thousands)

	2014	2013 (Restated)
Assets		
Cash and Cash Equivalents (Note 4)	\$ 8,103	\$ 4,735
Due from Government of Alberta	6,690	8,812
Accounts Receivable	94	37
Tangible Capital Assets (Note 5)	1,362	1,579
	\$ 16,249	\$ 15,163
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 471	\$ 1,641
Grants Payable	9,088	5,417
Unearned Revenue (Note 6)	2,639	3,840
	12,198	10,898
Net Assets		
Net Assets at Beginning of Year	4,265	4,047
Accumulated Operating (Deficit) Surplus	(214)	218
Net Assets at End of Year	4,051	4,265
	\$ 16,249	\$ 15,163

Contractual Obligations (Note 7)

The accompanying notes and schedules are part of these financial statements.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2014
(in thousands)

	2014	2013 (Restated)
Operating Transactions		
Annual Operating (Deficit) Surplus	\$ (214)	\$ 218
Non-cash Items:		
Amortization of Tangible Capital Assets	362	278
Loss on Disposal of Tangible Capital Assets	-	6
Unearned Revenue recognized as revenue	(1,244)	(2,137)
	(1,096)	(1,635)
Decrease (Increase) in Accounts Receivable and Due from Government of Alberta	2,065	(1,466)
Decrease in Accounts Payable and Accrued Liabilities	(1,170)	(1,384)
Increase (Decrease) in Grants Payable	3,671	(4,450)
Unearned Revenue received/receivable	43	129
Cash Provided by (Applied to) Operating Transactions	3,513	(8,806)
Capital Transactions		
Acquisition of Tangible Capital Assets	(148)	(521)
Transfer of Tangible Capital Assets to		
Department of Agriculture and Rural Development	3	19
Cash Applied to Capital Transactions	(145)	(502)
Increase (Decrease) in Cash and Cash Equivalents	3,368	(9,308)
Cash and Cash Equivalents at Beginning of Year	4,735	14,043
Cash and Cash Equivalents at End of Year	\$ 8,103	\$ 4,735

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2014

Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. is a Provincial Agency incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta), and operates under the authority of the *Financial Administration Act*.

The Alberta Livestock and Meat Agency Ltd. (the Agency) was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

The Agency 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 the *Income Tax Act*.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting.

Government Transfers – Transfers from the Government of Alberta are referred to as government transfers.

Government transfers and the associated externally restricted income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Agencies actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Agency complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Agency is eligible to receive the funds.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

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

Valuation of Financial Assets and Liabilities

The Agency has no assets or liabilities measured in the fair value category and has not engaged in Foreign Currency transactions. The Agency has no remeasurement gains or losses and consequently has not presented a Statement of Remeasurement Gains and Losses.

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

Assets – Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets are limited to financial claims, such as advances to and receivables from other organizations.

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets, and amortized on a straight-line basis over the estimate useful lives of the assets.

Work in progress, which includes development of information systems, is not amortized until after a project is complete and the asset is put into service.

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

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 by the recipient and a reasonable estimate of the amounts can be made.

Restricted fund obligations are recorded as unearned revenue until the period when the related expenses are incurred, then they are recognized as revenue.

Net Assets - Net assets/net liabilities represent the difference between the carrying value of assets held by the Agency and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Agency operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Note 3 Restatement of Prior Year Figures

(in thousands)

The change in the Net Operating Results reflects the recognition of the Net Book Value of an asset previously recorded as a tangible capital asset in error.

Net Operating Results, as previously reported at March 31, 2013	\$	242
Less: Operating Expense erroneously recorded as Capital Expense		(24)
Net Operating Results, as restated March 31, 2013	\$	<u>218</u>

The impact on Net Assets at the End of the Year is reflected as follows:

Net Assets at End of Year, as previously reported at March 31, 2013	\$	4,289
Less: Operating Expense erroneously recorded as Capital Expense		(24)
Net Assets at End of Year, as restated March 31, 2013	\$	<u>4,265</u>

Note 4 Cash and Cash Equivalents

(in thousands)

Cash and cash equivalents consists of:

	2014	2013
Cash	\$ 5,464	\$ 895
Restricted Cash ⁽¹⁾	2,639	3,840
	<u>\$ 8,103</u>	<u>\$ 4,735</u>

⁽¹⁾ Restricted cash consists of unearned revenue. Further details are provided in Note 6.

Note 5 Tangible Capital Assets
(in thousands)

Estimated Useful Life	2014			Total	2013 Total (Restated)
	Equipment 10 years	Computer Hardware and Software 3 -5 years	Leasehold Improvements 5 years		
Historical Cost ^(a)					
Beginning of Year	\$ 888	\$ 1,303	\$ 133	\$ 2,324	\$ 1,857
Additions	13	135	-	148	521
Transfers Out ^(b)	-	(11)	-	(11)	(45)
Disposals	-	-	-	-	(9)
	<u>\$ 901</u>	<u>\$ 1,427</u>	<u>\$ 133</u>	<u>\$ 2,461</u>	<u>\$ 2,324</u>
Accumulated Amortization					
Beginning of Year	\$ 331	\$ 314	\$ 100	\$ 745	\$ 496
Amortization Expense	89	246	27	362	278
Transfers Out ^(b)	-	(8)	-	(8)	(26)
Effect of Disposals	-	-	-	-	(3)
	<u>\$ 420</u>	<u>\$ 552</u>	<u>\$ 127</u>	<u>\$ 1,099</u>	<u>\$ 745</u>
Net Book Value at March 31, 2014	<u>\$ 481</u>	<u>\$ 875</u>	<u>\$ 6</u>	<u>\$ 1,362</u>	<u>\$ 1,579</u>
Net Book Value at March 31, 2013	<u>\$ 557</u>	<u>\$ 989</u>	<u>\$ 33</u>	<u>\$ 1,579</u>	

^(a) Historical cost includes work-in-progress at March 31, 2014 totaling \$176 comprised of computer software (2013 - \$216).

^(b) Includes transfer of computer hardware to Department of Agriculture and Rural Development, comprised of historical cost of \$11 (2013 - \$45) and accumulated amortization of \$8 (2013 - \$26).

Note 6 Unearned Revenue
(in thousands)

As at March 31, 2009 the Agency assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The transfer includes restricted fund obligations assumed by the Agency which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

	2014	2013
Unearned Revenue	\$ 2,639	\$ 3,840
	<u>\$ 2,639</u>	<u>\$ 3,840</u>

Note 6 Unearned Revenue (continued)
(in thousands)

	2014			2013	
	ALIDF Fund 2 - 2004 Post BSE Commercialization and Development (Restated)	ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative (Restated)	DLFOA Fund 5 - 2008 Diversified Livestock Research and Development	Total	Total
Balance, beginning of year ⁽¹⁾	\$ 462	\$ 847	\$ 2,531	\$ 3,840	\$ 5,848
Received during the year	-	-	-	-	48
Restricted Realized Investment Income	2	13	28	43	81
Less amounts recognized as revenue	(274)	(161)	(809)	(1,244)	(2,137)
Balance, end of year	<u>\$ 190</u>	<u>\$ 699</u>	<u>\$ 1,750</u>	<u>\$ 2,639</u>	<u>\$ 3,840</u>

⁽¹⁾ Restated to correct prior year balance in respective Funds 2 and 7 in the amount of \$181.

Note 7 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Agency to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013
Obligations:		
Operating Leases	\$ 3,006	\$ 884
Contracts	132	158
Programs	13,749	7,241
	<u>\$ 16,887</u>	<u>\$ 8,283</u>

Program obligations consist of obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of the ALIDF (\$285) and the DLFOA (\$94). In addition, the Agency has obligations resulting from new grant agreements (\$13,370).

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating Leases	Contracts	Programs	Total
2014-15	\$ 533	\$ 132	\$ 9,353	\$ 10,018
2015-16	594	-	3,531	4,125
2016-17	594	-	643	1,237
2017-18	594	-	222	816
2018-19	592	-	-	592
Thereafter	99	-	-	99
	<u>\$ 3,006</u>	<u>\$ 132</u>	<u>\$ 13,749</u>	<u>\$ 16,887</u>

Note 8 Benefit Plans

(in thousands)

The Agency participates in the multi-employer pension plans: Management Employees' Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The Agency accounts for these multi-employer pension plans on a defined contribution basis. The Agency is not responsible for future funding of the plan deficit other than through contribution increases.

The expense for these pension plans is equivalent to the annual contributions of \$358 for the year ended March 31, 2014 (2013 – \$382).

The Agency does not have sufficient plan information on the MEPP/PSPP/MRCA to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pensions expense recorded for the MEPP/PSPP/MRCA is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of \$50,457 (2012 – deficiency \$303,423), the Public Service Pension Plan reported a deficiency of \$1,254,678 (2012 – deficiency \$1,645,141), and the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$12,384 (2012 – deficiency \$51,870).

Note 9 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 10 Approval of Financial Statements

The financial statements were approved by the Board of the Agency.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.
SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
YEAR ENDED MARCH 31, 2014
(in thousands)

	2014		2013
	Budget	Actual	Actual (Restated)
Salaries, Wages and Employee Benefits	\$ 3,597	\$ 3,040	\$ 3,277
Supplies and Services	5,184	2,530	2,843
Grants	21,421	23,446	30,906
Amortization of Tangible Capital Assets	150	362	278
Loss on Disposal of Tangible Capital Assets	-	-	6
	<u>\$ 30,352</u>	<u>\$ 29,378</u>	<u>\$ 37,310</u>

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.
SCHEDULE OF SALARY AND BENEFITS DISCLOSURE
YEAR ENDED MARCH 31, 2014
(in thousands)

	2014			2013	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Chairman of Board ⁽⁴⁾	\$ 142	\$ -	\$ -	\$ 142	\$ 172
Board Members ⁽⁴⁾	\$ 339	-	-	\$ 339	\$ 344
President and Chief Executive Officer	\$ 193	\$ 8	\$ 41	\$ 242	\$ 239

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

- (1) Base salary includes fees for Chair and Board members and regular pay for employees.
- (2) Other cash benefits include an automobile allowance and health spending account payments. There were no bonuses paid in 2014.
- (3) Other non-cash benefits include employer'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.
- (4) The Board consists of a maximum of 12 members including the Chairman, whose salary is disclosed separately. As of March 31, 2014, there was 1 position vacant. During the year, the equivalent of 10 positions were occupied.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.
SCHEDULE OF RELATED PARTY TRANSACTIONS
YEAR ENDED MARCH 31, 2014
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements.

The Agency had the following transactions with related parties recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities ⁽¹⁾	
	2014	2013	2014	2013
Revenues:				
Grants	\$ 27,689	\$ 35,099	\$ -	\$ -
	<u>\$ 27,689</u>	<u>\$ 35,099</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses - Directly Incurred:				
Grants	\$ 415	\$ 602	\$ 8,512	\$ 10,207
Other services	-	-	19	21
	<u>\$ 415</u>	<u>\$ 602</u>	<u>\$ 8,531</u>	<u>\$ 10,228</u>
Tangible Capital Assets Transferred to				
Department of Agriculture and Rural Development	\$ 3	\$ 19	\$ -	\$ -
	<u>\$ 3</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>
Payable to				
Agriculture Financial Services Corporation	\$ 4	\$ -	\$ -	\$ -
Department of Agriculture and Rural Development	640	749	-	-
Ministry of Treasury Board and Finance	-	-	-	1,033
Ministry of Innovation and Advanced Education	-	-	3,126	732
	<u>\$ 644</u>	<u>\$ 749</u>	<u>\$ 3,126</u>	<u>\$ 1,765</u>
Receivable from				
Department of Agriculture and Rural Development	\$ 6,690	\$ 8,788	\$ -	\$ -
Ministry of Innovation and Advanced Education	-	-	1	24
	<u>\$ 6,690</u>	<u>\$ 8,788</u>	<u>\$ 1</u>	<u>\$ 24</u>

⁽¹⁾ Other entities include schools, universities, colleges and health authorities.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.SCHEDULE TO FINANCIAL STATEMENTSBUDGETYEAR ENDED MARCH 31, 2014

	Original Budget	Adjustment to Conform to Accounting Policy (in thousands)	Budget
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 28,923	\$ -	\$ 28,923
Investment Income	250	-	250
Other Revenue	1,399	-	1,399
	30,572	-	30,572
Expenses			
Industry Investment	\$ 11,501	\$ 1,000	\$ 12,501
Strategic Initiatives	12,014	-	\$ 12,014
Corporate Services	4,558	-	\$ 4,558
Livestock Development	1,279	-	\$ 1,279
	\$ 29,352	\$ 1,000	\$ 30,352
Annual operating (deficit) surplus	\$ 1,220	\$ (1,000)	\$ 220
Capital Spending	\$ 1,000	\$ (1,000)	-