

---

# Annual Report

## 2010 • 2011





# Chairman's Message



They say that the only constant in life is change, and change is at the heart of an evolving organization. Over the past fiscal year—from August 1, 2010 to July 31, 2011—your Board has worked diligently to represent the interests of barley growers.

During the past year, the Board became aware of a number of irregularities in the expense accounting of senior management and took steps to determine the nature and extent of these irregularities. As a result and as you are aware, the Board terminated the services of the CEO and retained the accounting firm of MNP to conduct a forensic review of the Board's finances covering the past several years. The current financial statements reflect some of the conclusions of the audit and these matters will be discussed at the upcoming regional meetings and at the annual general meeting.

Although we had a change in management in July, the Alberta Barley Commission's leadership has remained constant, as have our priorities. We remain committed to producer services, market development and policy development, as reflected

in our budget. Our main projects, programs and research expenditures will continue to be in these areas. Over the coming year, however, we will be adding marketing and events, nutrition and communications to our priorities.

We also remain committed to focusing on the issues in agriculture—making sure we are asking the right questions in order to be proactive within our industry. Priorities for the coming year include addressing issues in transportation and trade, while also working to increase the demand for barley and its profitability.

Over the past year, Alberta's barley growers have faced some trying times. For many, the fall 2010 harvest was long, drawn-out and disappointing overall. Crop quality and yield were down at a time when the world market could have used a strong Canadian barley crop. As I write this message, things are looking up for the 2011 harvest.

One substantial change in the last fiscal year was the election of a majority Conservative government to the House of Commons in May 2011. Although Prime Minister Stephen Harper has long promised change to the single-desk marketing system in Western Canada, this was the first time since being elected Prime Minister in 2006 that he had the majority needed to make that change happen. Your Board is committed to ensuring barley growers have access to up-to-date information throughout these changing times.

This year also marked the Commission's 20th anniversary. A

grassroots organization only reaches a milestone like that through the commitment of the many people who believed, and keep believing, in Alberta's barley industry. Thank you to all of those involved in making the Commission a success in the past, present and future.

In closing, I would like to thank my fellow Board members for their integrity, dedication and leadership. An organization like ours is only as strong as its Board and you can be assured that you have a committed team who will continue to guide the

●●●

**Priorities for the coming year include addressing issues in transportation and trade, while also working to increase the demand for barley and its profitability.**

organization in a positive direction.

We are also fortunate enough to work with a group of committed staff members who have a real passion for agriculture. I have no doubt you will see many exciting changes in how we deliver our services and programs. Likewise, our relationships with our delegates and members—as well as government, research and industry stakeholders—will continue to make us stronger as we move forward.

**Matt Sawyer**  
Chairman

## Long-Term Strategic Priorities:

- Ensure the long-term sustainability of the barley industry and the Alberta Barley Commission.
- Leverage partnerships with like-minded stakeholders to optimize opportunities and impact issues.
- Develop ways for producers and industry to capture more value from barley.

## Short-Term Strategic Priorities:

- Execute a communication and extension plan addressing the Commission's core business areas.
- Continue to develop and execute actions to lead to an increase in demand for barley.
- Collaborate with the feeding industry to support their survival and growth.
- Identify and act on key research priorities.

## Priority Research Areas:

- Agronomy and Production
- Feed
- Malt
- Food & nutrition
- Bio-products



# General Manager's Message



Good governance is the basis of a strong organization led by an effective Board of Directors. Over the past months, I've been fortunate to see good governance in action as the Alberta Barley Commission's Board of Directors confronted change head-on with a focus on leadership and accountability.

Despite the challenges experienced by the Commission in the 2010–11

year, the organization maintained its commitments to policy development, producer services and market development, as well as to ongoing research projects and growing Alberta's barley industry. Some of the highlights of the past year are outlined in this annual report.

As the Commission's acting general manager, I have developed a strong staff team to work on the organization's priorities with a renewed sense of purpose. This team's focus is internal to our day-to-day work while also being external to our members, government and industry. One of our goals is to maintain clear and open communication in order to increase our understanding of what is important to barley growers and industry partners.

The Commission is working to create an open dialogue with our members throughout the year. We want to hear from you at the regional meetings and the annual general meeting, but also at farm events, consumer trade shows, and perhaps

even through social media. More than that, we would love for you to stop by the next time you're in Calgary and see the kind of work we are doing for farmers. Our office is open from 8:00 a.m. to 4:00 p.m. weekdays, with someone on-staff available to greet you (and provide a cup of coffee) throughout the day. Our staff members are also available by phone and email.

We are now already four months into the new fiscal year. At last April's strategic planning session, the Board outlined new priorities while also emphasizing their commitment to ongoing projects. Please know that, throughout the coming year, your staff and Board will be working to make these priorities a reality. We will keep you up-to-date on our progress.

**Lisa Skierka**  
General Manager

## Annual Report Statistics

In 2010–11, the Alberta Barley Commission had revenues of \$2,230,760, compared to \$1,535,810 in 2009–10. Our main source of revenue, producer check-off dollars, increased to \$2,395,480 in 2010–11, less \$186,863 in refunds. In 2009–10, the check-off revenue was \$1,654,214, less \$141,665 in refunds.

This means refund requests this year were at 7.8 per cent, down from 8.6 per cent in 2009–10. This is within the norm of seven to nine per cent.

Overall, the Commission is financially sound, with assets (including cash, restricted cash, short-term investments, long-term investments, accounts receivable, prepaid expenses and capital assets) of \$2,954,083 and liabilities (including accounts payable and accruals, grant commitments and deferred revenue) of \$1,797,621. The Commission's net assets are at \$1,156,462 as of July 31, 2011.

# Producer Services

## Communications

### Barley Country

The *Barley Country* newsletter remains a cornerstone in the communications efforts between the Alberta Barley Commission and our members. With a circulation of 24,000, our newsletter is published four times per year and remains the strongest tool for sharing information with barley growers. This includes research findings, market developments, policy developments and events.

### Between the Rows: Director to Delegate Newsletter

In early 2010, the Commission implemented the *Between the Rows* newsletter to improve communication between the directors and delegates. It was published six times in this fiscal year, with each edition tailored to our regions. As communications initiatives for the Commission have moved in-house, this publication will be reinvented in the coming year.

### Website

The Commission's website acts as our main hub for detailed information regarding our actions and projects. It's also a valuable tool on which we can publish immediate press releases and the latest news between issues of *Barley Country*. The website is updated regularly and allows us to keep members, partners and the general public informed. It is an integral part of our overall communications plan to increase the flow of information to our members.

### Elite Barley

Elite Barley is an industry-led program that honours the best malt barley producers in Canada. The nominees selected for the 2010–11 Elite Barley program shared their best practices in a report to empower other barley growers with the knowledge they need to succeed. The ultimate goal of the program is to encourage the expansion of malting barley production in Canada. The Commission is a member of the program's steering committee along with the Brewing and Malting Barley Research Institute (BMBRI). In this fiscal year, the Commission contributed significant staff time to coordinate and develop the program.



Photo: Lori Loree

2010–11 BOARD OF DIRECTORS: (left to right) Region Six Director Ron Heck; Region One Director-at-Large Glenn Logan; Region Five Director Albert Wagner; Region One Director Greg Stamp; Vice-Chairman and Region Three Director Trevor Petersen; Region Four Director Bernie Klammer; Region Three Director-at-Large Mike Ammeter; Chairman and Region Two Director Matt Sawyer; and Region Five Director-at-Large Richard Mueller.

## Marketing and Events

### Regional & Annual General Meetings

Regional meetings occurred in late November and early December 2010, followed by the annual general meeting (AGM) in Banff from Dec. 9–10, 2010.

Regional meeting attendance remained good in 2010—with a total of 249 attendees—which demonstrated the success of our ongoing partnerships with the Alberta Canola Producers Commission and the Alberta Pulse Growers to organize joint meetings where possible.

At the AGM, over 100 attendees were provided with information from speakers including futurist Bob Treadway, who urged listeners to think through possible future scenarios in order to be better prepared.

Two resolutions were brought forward by the Resolutions Committee at the AGM—both originated in Region four and both were passed. The first concerned lobbying the industry to pay a premium to producers who deliver their grain in a drier-than-industry standard condition. The second was for the Commission to review the per diems and compensation for directors and delegates.

### Health Claim

The Alberta Barley Commission's application for a generic health claim regarding "*Barley Beta-glucan Soluble Fibre and Reduction of Blood Cholesterol, a Risk Factor in Cardiovascular Disease*" is in the final stages of review. Health Canada has indicated it is a top priority and final reviews should be complete in early fiscal year end 2012. Upon finalization of the wording, marketing efforts to inform the public of the health benefits of consuming barley will begin immediately.

Dr. Nancy Ames, a research scientist with Agriculture and Agri-Food Canada in Winnipeg, authored the health claim and will continue researching the health benefits of barley for human consumption.

### Classroom Agriculture Program

The Classroom Agriculture Program (CAP) has been around since 1985. The Commission participates on the steering committee, which directs the activities of the program. Steering committee members include the Alberta Beef Producers, the Alberta Egg Producers, the Alberta Pulse Growers and the Alberta Canola Producers Commission, among others.

CAP, with the endorsement of

Alberta's Minister of Education, provides agricultural speakers to Grade 4 classrooms throughout the province. The Commission provides staff with time to do presentations in the Calgary area, and also encourages barley growers to get involved in their local region.

Since CAP's inception, 550,000 students have had the opportunity to listen to information describing where their food comes from.

### FarmTech 2010

As a founding member of the FarmTech Conference, the Commission was represented by Region Three Director and Vice-Chairman Trevor Petersen and Policy and Research Coordinator Darcy Kirtzinger on the planning committee.

Former Commission Chairman Doug Robertson (2006 and 2008) was the FarmTech 2010 Foundation chairman. The Commission also hosted a "Barley Breakfast" and sponsored speaker Brad Vannan, president and CEO of Ice Canada Futures Inc.

### Other Events

The Commission was also represented at Agri-Trade Exposition in Red Deer (November 2010), Aggie Days in Calgary (April 2011) and Lacombe Field Day (July 2011).



# Market Development

## Shochu Barley

The Alberta Barley Commission has completed its support of the Shochu Barley Commercialization phase one joint research project with the Agriculture and Food Council of Alberta and Rahr Malting Canada Ltd. The Commission committed \$36,500 to the first phase of the project, which had a duration of four years.

The long-term goal of the project is to commercialize and further develop a 60,000-tonne per year Canadian shochu barley value chain market in Japan. The first phase focused on identifying and developing new varieties of barley that would meet the pearling specifications for shochu, developing a value chain with farmers who can supply this premium-priced barley market, and developing a marketing plan to target farmers in key geographic regions best suited to match the new market expansion opportunity.

Phase two is now underway. It focuses on testing preferred shochu varieties and working with barley breeders to evaluate targets for quality, yield, disease resistance and



Photo: Alberta Barley Commission archives

**BARLEY PRODUCTS:** Shochu barley, pictured with other barley-based products, like flour and barley rice extender.

agronomy. The Commission has committed \$60,000 over five years to this phase. The research will also evaluate improved genetic lines in co-op trials and test improved lines for alcohol yield and shochu suitability.

## Joined CAFTA

The Commission joined the Canadian Agri-Food Trade Alliance

(CAFTA) in early 2011. CAFTA is a coalition of national and regional organizations that have joined together in support of a more open and fair international trading environment for agriculture and agri-food.

CAFTA's trade priorities include the currently stalled World Trade Organization (WTO) negotiations, as well as bi-lateral trade agreements between Canada and governments

in the European Union, South Korea and Japan, to name a few.

Commission Chairman Matt Sawyer attended the eighth round of negotiations for the Canada-European Comprehensive and Economic Trade Agreement in Brussels, Belgium in July 2011. The trip included meeting politicians from across Europe and talking to them about Canadian agriculture.

# Policy Development

## Grain Growers of Canada

As a member of the Grain Growers of Canada (GGC), the Alberta Barley Commission receives the benefits of a collective producer lobbying voice at the federal level. The GGC represents the interest of grain farmers in national policy development and promotes a competitive agricultural trading environment.

GGC priorities in fiscal year end 2011 included research and innovation, trade and market access, farm safety, transportation, marketing and business risk management.

## Investigation of National and Joint Initiatives

In the last fiscal year, the possibili-

ties of forming a national barley organization and a provincial all-grains commission were investigated. Discussions on these initiatives have been carried forward.

## Creation of Risk/Threat Analysis

Measures to look at the future landscape of the barley industry were introduced in the 2010-11 strategic plan. The creation of a risk/threat process was investigated.

The scenarios that were reviewed include: grass-fed beef popularity eclipsing grain-fed beef; the Canadian dollar surpassing the value of the American dollar; and the potential effect of genetically modified (GM) barley on markets and exports.

## Nutrient Beneficial Management Practices (BMP) Evaluation Project

The Commission sits on the steering committee for the Nutrient Beneficial Management Practices (BMPs) evaluation project. The six-year project (2007-12) aims to evaluate the environmental and economic effectiveness of different BMPs within selected Alberta agricultural watersheds.

The research focuses on the reduction of agricultural impacts on the environment, effective use of manure within crop production, and determining the source of nutrient loss in soil. It also compares water quality in two different types of agricultural watersheds.

## Collection of Check-off Dollars

The Commission investigated the feasibility of joining the Agriculture Council of Saskatchewan's Levy Central program to facilitate collection of check-off dollars. The Alberta Winter Wheat Producers Commission (AWWPC) already adopted the program in the spring of 2011 and is the organization's ninth member.

Discussions are ongoing as to the viability of moving the administration of the Commission's check-off to Levy Central. Benefits include their knowledgeable staff, an automated tracking system and the ability for buyers of multiple commodities to deal with one organization and remit reports/payments to one address.



# Non-Feed Research and Development



FIELD CROP DEVELOPMENT CENTRE: Lacombe remains one of the Alberta Barley Commission's largest research priorities. The annual Field Day provides a chance to learn about the research being done at the centre.

## Research Highlights (non-feed)

### Agriculture and Agri-Food Canada: Developing Innovative Agri-Products

The Alberta Barley Commission contributed \$300,000 to the Western Grain Research Foundation's Developing Innovative Agri-Products (DIAP) research. The goal of this research is to develop barley cultivars with improved performance, disease resistance and enhanced quality traits suitable for Western Canada.

In addition, this program seeks to develop integrated disease, weed, crop and production strategies that will reduce the cost of inputs while improving crop health and quality.

### 2010 Barley Regional Variety Trials (ARECA)

In partnership with Agricultural Research and Extension Council of Alberta (ARECA), the Commission provided \$17,000 towards the 2010

barley regional variety trials. These trials demonstrate whether new varieties will outperform established varieties. The study collects and publishes agronomic and yield information of current and newly registered barley varieties to assist producers in making the optimum variety selection for their growing conditions. These tests are conducted annually to produce reliable long-term data.

### Lacombe Core Funding (Tripartite Agreement)

Through its breeding program, the Lacombe Field Crop Development Centre seeks to develop high-yielding, disease resistant barley cultivars adapted to the diverse production environments of Alberta. It also seeks to develop cultivars with specific qualities that meet the specialized needs of local and international markets. The Commission provides core funding (\$195,000 in 2010) as part of a tripartite agreement with the Government of Canada and the Government of Alberta.

### Commercialization of Food Barley Prototypes

This extensive pilot-scale research project examined barley product prototypes and processes with improved functional and nutritional properties.

The Commission put \$35,000 into funding this three-year project, which concluded in April 2011. The research focused on producing food products for North American consumers that used barley flour with an enhanced nutritional profile for use in baked goods, pasta and noodle prototypes.

In addition, the Leduc-based Alberta Food Processing Development Centre (AFPDC) developed cookie, cracker, snack-food and nutrition bar prototypes. The project also led to a new website, [www.canadianfoodbarley.ca](http://www.canadianfoodbarley.ca), which provides the public with information about Canadian food barley. The website is jointly managed by

the Canadian International Grains Institute (CIGI) and the AFPDC.

### Barley Protein Extraction

Dr. Lingyun Chen, the cereal scientist chair at the University of Alberta, conducts research that is industry focused. The Commission provided \$300,000 over five years (2006–11) to fund Chen's research on barley protein extraction. Her research seeks an increased understanding of barley protein, including how best to extract it and its nutritional properties, as well as its potential uses in functional food production, manufacturing and cosmetic applications.

### Evaluation and Adaptation of Controlled Traffic Farming in Alberta

In partnership with the Alberta Crop Industry Development Fund (ACIDF), the Commission contrib-

**Through its breeding program, the Lacombe Field Crop Development Centre seeks to develop high-yielding, disease resistant barley cultivars....**

uted \$10,000 to a project assessing the effectiveness of controlled traffic farming in Alberta compared to traditional methods. In controlled traffic farming systems, traffic lanes are established where all machinery travels each year, which minimizes crop disturbance and localizes soil compaction. Test sites will be thoroughly mapped and agronomic measurements will be taken. Sites will be studied for up to five years to produce long-term data.

# Feed Research and Development

## Feed Research Highlights

### Inaugural Feed Summit Planning

In conjunction with industry partners, the Alberta Barley Commission began planning a feed summit to bring together representatives from the barley, cattle and pork groups, as well as researchers, university staff and representatives from the Alberta Livestock and Meat Agency (ALMA) and the Alberta Crop Industry Development Fund (ACIDF).

With representation from across the industry, discussion will focus on ways to bridge gaps and capture

cross-sector opportunities. The feed summit takes place on Dec. 9, 2011, the day after the Commission's annual general meeting.

### Alberta Crop Industry Development Fund (ACIDF) Feed Initiative

Working with the Alberta Crop Industry Development Fund's (ACIDF's) feeding initiative, the Commission is a partner in funding research that will increase the competitiveness of feed grain production in Alberta. This research works towards more efficient use of feed grains, lower cost feeding methods, increasing feed value (through technologies that allow feed quality and

attributes to be easily determined), and investment in innovative breeding dedicated to higher-yielding feed grain cultivars.

### Dealer Licensing

One of the short-term goals listed for the 2010–11 fiscal year was to collaborate with the feeding industry to support its survival and growth. Since nearly 80 per cent of barley grown in Alberta is a feed variety, it is critical that this market remains viable for the entire value chain.

This past fiscal year, the Commission ran an awareness campaign to remind barley dealers to renew their

licenses. Barley growers should look for the license when they sell their barley.



# Alberta Barley Commission

## Financial Statements, July 31, 2011

### Independent Auditors' Report

#### To the Members of Alberta Barley Commission:

We have audited the accompanying financial statements of Alberta Barley Commission, which comprise the statement of financial position as at July 31, 2011, and the statements of operations and changes in net assets 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 generally accepted accounting principles, 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.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 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. 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 statement.

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

#### Basis for Qualified Opinion

In common with many similar organizations, the Commission derives revenue through "check-off" fees received from barley producers, the completeness of which could not be satisfactorily verified during our audit. Accordingly, our verification of these revenues was limited to the amounts recorded in the Commission's records and we were unable to determine whether any adjustments might be necessary to check-off revenues, excess of revenues over expenses, assets and net assets.

As disclosed in Note 14 to the financial statements, we have been unable to obtain sufficient and appropriate audit evidence for \$158,494 of expenses classified as travel expenses in other items on the statement of operations. As part of our audit, we also audited the adjustment described in Note 14 that was applied to amend the July 31, 2010 financial statements. We were not engaged to audit, review, or apply other procedures to the July 31, 2010 financial statements of the Commission other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the July 31, 2010 financial statements as a whole.

#### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Alberta Barley Commission as at July 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

#### Other Matters

The financial statements as at and for the year ended July 31, 2010, were audited by another firm of public accountants who expressed a qualified opinion on those statements before the amendments disclosed in Note 14 in their report dated September 7, 2010.

**MNP LLP**  
Chartered Accountants

Calgary, Alberta  
October 24, 2011

### Management's Responsibility

#### To the Members of Alberta Barley Commission:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

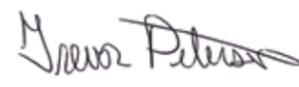
The Board of Directors is composed entirely of Directors who are neither management nor employees of the Commission. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for recommending the appointment of the Commission's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 24, 2011



**Matt Sawyer**  
Chairman and Region 2 Director



**Trevor Petersen**  
Vice-Chairman and Region 3 Director

### Statement of Financial Position

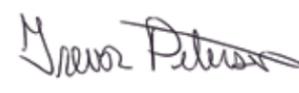
As at July 31, 2011

	2011 \$	2010 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	689,305	323,446
Restricted cash (Note 3)	87,747	97,469
Short-term investments (Note 4)	413,364	751,338
Accounts receivable (Note 5)	110,453	217,739
Prepaid expenses (Note 6)	41,012	14,209
	1,341,881	1,404,201
<b>Capital assets (Note 7)</b>	<b>68,902</b>	<b>18,834</b>
<b>Long-term investments (Note 4)</b>	<b>1,530,816</b>	<b>975,480</b>
	<b>2,941,599</b>	<b>2,398,515</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accruals	122,788	74,908
Grant commitments (Note 8)	690,027	469,745
Deferred revenue (Note 9)	1,041,251	926,039
	1,854,066	1,470,692
<b>NET ASSETS</b>	<b>1,087,533</b>	<b>927,823</b>
	<b>2,941,599</b>	<b>2,398,515</b>

Approved on behalf of the Board



**Matt Sawyer**  
Chairman and Region 2 Director



**Trevor Petersen**  
Vice-Chairman and Region 3 Director

## Statement of Operations and Changes in Net Assets

For the year ended July 31, 2011

	2011	2010
	\$	\$
<b>Revenue</b>		
Check-off fee revenue (Note 9)	2,395,480	1,654,214
Check-off refunds	(186,863)	(141,665)
Newsletter advertising	9,643	17,333
Sponsorships	12,500	5,928
	<b>2,230,760</b>	<b>1,535,810</b>
<b>Program expenses</b>		
Producer services	886,716	432,547
Market development	113,677	178,421
Policy development	28,759	91,797
Donations and grants	1,000	2,500
	<b>1,030,152</b>	<b>705,265</b>
<b>Excess of revenue over program expenses</b>	<b>1,200,608</b>	<b>830,545</b>
<b>General and administrative expenses</b>		
Salaries, benefits and contractors	665,274	530,541
Office	87,906	33,539
Directors fees and expenses	76,933	54,969
Rent	34,164	33,062
Professional fees	22,526	9,130
Telephone	16,457	9,685
Meetings and conventions	13,858	5,676
Membership fees	11,747	12,382
Repairs and maintenance	8,371	3,024
Insurance	5,328	5,295
Amortization	4,786	6,078
Travel	924	1,094
Bank charges	1,173	1,467
Advertising	250	1,156
Training and education	135	1,230
	<b>949,832</b>	<b>708,328</b>
<b>Excess of revenues over expenses before other items</b>	<b>250,776</b>	<b>122,217</b>
<b>Other items</b>		
Interest income	61,362	23,530
Travel expenses (Note 14)	(158,494)	(85,269)
<b>Excess of revenues over expenses</b>	<b>153,644</b>	<b>60,478</b>
<b>Net assets, beginning of year</b>	<b>927,823</b>	<b>834,623</b>
<b>Change in unrealized gains and losses on available-for-sale securities</b>	<b>6,066</b>	<b>32,722</b>
<b>Net assets, end of year</b>	<b>1,087,533</b>	<b>927,823</b>

## Statement of Cash Flows

For the year ended July 31, 2011

	2011	2010
	\$	\$
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from customers	2,453,258	1,768,664
Program expenses paid	(1,892,332)	(1,575,291)
Interest received	61,362	23,530
	<b>622,288</b>	<b>216,903</b>
<b>Investing</b>		
Purchase of capital assets	(54,855)	(9,732)
Proceeds on maturity of investments	631,144	(122,874)
Purchase of investments	(842,440)	-
	<b>(266,151)</b>	<b>(132,606)</b>
<b>Increase in cash resources</b>	<b>356,137</b>	<b>84,297</b>
<b>Cash resources, beginning of year</b>	<b>420,915</b>	<b>336,618</b>
<b>Cash resources, end of year</b>	<b>777,052</b>	<b>420,915</b>
<b>Cash resources are composed of:</b>		
Cash	689,305	323,446
Restricted cash	87,747	97,469
	<b>777,052</b>	<b>420,915</b>

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

## Notes to the Financial Statements

For the year ended July 31, 2011

### 1. Nature of the Commission

The Alberta Barley Commission ("the Commission") is a non-profit, producer funded commission formed on August 1, 1991 under the Province of Alberta's Marketing for Agricultural Products Act.

The Commission's mandate is to give Alberta barley producers an organization for developing new markets and products for barley and for influencing the direction of research dedicated to barley production.

The Commission is a non-profit organization and is a exempt from tax under the *Income Tax Act*.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

#### Revenue recognition

The Commission follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned. Externally restricted capital contributions are recognized as revenue as the related asset is amortized. Donations and contributions in-kind are recorded at fair value when such value can reasonably be determined.

#### Financial instruments

##### Held for trading:

The Commission has classified cash and restricted cash as held for trading. Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 *Financial Instruments – Recognition and Measurement*, even if that instrument would not otherwise satisfy the definition of held for trading.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenues and expenses.

##### Available-for-sale:

The Commission has classified short-term and long-term investments as available-for-sale. These assets are initially recognized at their fair value. Any gain or loss arising as a result of the difference between the carrying amount and fair value is recognized in net assets. Fair value is determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the trade date.

Available-for-sale financial assets are subsequently measured at their fair value without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized in net assets, until the financial asset is sold or otherwise derecognized. Upon derecognition, the cumulative gain or loss previously recognized in net assets is transferred to excess of revenues over expenses.

##### Loans and receivables:

The Commission has classified accounts receivable as loans and receivables. This asset was initially recognized at its fair value.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

##### Other financial liabilities:

The Commission has classified accounts payable and accruals as other financial liabilities. These liabilities are initially recognized at their fair value.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

(continued on next page)



## Notes to the Financial Statements

For the year ended July 31, 2011

(continued from previous page)

### Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Computer equipment	20 %
Furniture and fixtures	20 %
Promotional equipment	33 %

### Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues 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 capital assets.

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

### Recent Accounting Pronouncements

#### Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board ("AcSB") approved the accounting standards for private sector not-for-profit organizations ("NFPOs") to be included in Part III of the CICA Handbook-Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards ("IFRS"). The Commission has not yet determined which set of standards it will apply. Earlier adoption is permitted. The Commission does not expect the implementation of these standards to have a material effect on its financial statements.

### 3. Restricted cash

The Shochu Barley Commercialization project is funded by the Alberta Barley Commission, Agriculture Food Council of Alberta, Agriculture Council of Saskatchewan and others. The purpose of this project is to develop a value chain with key farmers to supply this premium barley market with "Grown in Alberta" Shochu barley which consistently meets Shochu specifications for the end-user.

As the funds received by the Commission were solely for this project, any funds not spent are segregated and reported as deferred income. When the appropriate expenditure is made, the corresponding amount is taken out of deferred revenue and recognized as revenue in the same period in which the expense is made.

The remaining funds for this project are held in a separate bank account and the use of this cash is considered to be restricted in that it can only be used for this project.

### 4. Investments

Investments include corporate bonds with yields to maturity between 3.74% and 6.70% and maturity dates between December 2, 2011 and December 31, 2051. Investments are stated at their market value. It is the intention of the Board to hold all investments until maturity. Investments maturing within the next fiscal year have been reclassified as short-term investments.

### 5. Accounts receivable

	2011	2010
Check-off fees receivable	86,111	203,953
Trade accounts receivable	-	11,420
GST receivable	24,342	2,366
	<b>110,453</b>	<b>217,739</b>

### 6. Prepaid expenses

	2011	2010
Memberships and deposits	36,138	9,410
Rent	3,210	3,210
Insurance	1,664	1,589
	<b>41,012</b>	<b>14,209</b>

### 7. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Computer equipment	75,682	39,360	36,322	15,764
Furniture and fixtures	55,212	23,690	31,522	2,287
Promotional equipment	10,044	8,986	1,058	783
	<b>140,938</b>	<b>72,036</b>	<b>68,902</b>	<b>18,834</b>

### 8. Grant commitments

When funding for a research grant is approved by the Commission, the full amount is recorded as an expense in operating expenses and accrued as a liability. Expenditures related to grants are then charged as a reduction to the grant liability. The amount shown as grants payable is the amount of funding allotted to various programs that is yet to be spent. The funds to cover these liabilities are in the Commission's cash, short-term investments and long-term investments accounts.

### 9. Deferred revenue

The Commission receives revenues in the form of check-off per tonne when barley is delivered. The buyer of the barley then remits this check-off fee to the Commission. As the Commission relies only on the buyers' remittances, it makes it difficult for the Commission to accurately determine its revenue until collected.

To estimate check-off fees receivable, the Commission examines the remittances received early in the next year and determines which remittances are for barley purchased in the current year. This amount is then recorded as check-off fees receivable.

As there is no reliable cost effective method of reasonably determining the amounts of additional remittances receivable, they are not recorded in these statements.

Check-off fees received are recorded as deferred revenue until the charge is no longer eligible to be refunded to the producer after the six month period of eligibility. Accordingly, these statements recognize as income only those fees received not eligible for refund. Fees that are still eligible for refund are recorded as deferred revenue.

### 10. Lease commitments

The Commission has entered into various lease agreements with estimated minimum annual payments as follows:

	2012	39,776
	2013	40,769
	2014	23,666
		<b>104,211</b>

### 11. Financial instruments

The Commission as part of its operations carries a number of financial instruments. It is management's opinion that the Commission is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

### 12. Capital management

The Commission defines capital as net assets. The Commission receives the majority of its operating funds from buyers of barley in Alberta.

The Commission manages its capital structure and makes adjustments to it, based on the funds available to the Commission, in order to support its ongoing programs and operations.

The Commission is not subject to debt covenants or any other capital requirements with respect to operating revenues. The Commission is not subject to any externally imposed capital requirements, except for the requirement to restricted cash related to the Shochu Barley Commercialization project as disclosed in Note 3.

### 13. Income taxes

The Commission is exempt from income taxes under the section 149(1)(l) of the *Income Tax Act* (the "Act"). In order to maintain its status the Commission must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### 14. Correction of prior period error

Travel expenses of \$158,494 (2010 - \$85,269) have been classified as other items on the statement of operations and changes in net assets. Of these amounts, \$54,578 (2010 - \$63,825) is lacking in sufficient supporting documentation as to its nature and business rationale and the remaining amounts of \$103,916 (2010 - \$21,444) are currently under review as to their nature and business rationale.