2018 Annual Report

AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

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NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

Report to the Membership

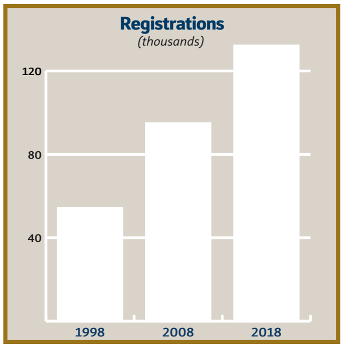
2018 - A year of celebration and breed consistency.

On behalf of the Boards of Directors of the American Jersey Cattle Association and National All-Jersey Inc., it is my privilege to present the Annual Report for 2018.

150 years of the association was celebrated.

The success and evolution of the American Jersey Cattle Association was celebrated throughout the entirety of 2018. The 2018 AJCA-NAJ Annual Meetings held in Canton, Ohio, celebrated the breed's progress. Generations of Jersey enthusiasts networked and shared their admiration for the Jersey cow, what she has done, and where she has come.

In addition to this celebration, the United States hosted the 21st World Jersey Cattle Bureau International Conference and Annual Meeting. There were 85 international delegates traveling from 14 countries who all share a passion for the Jersey cow. Our organization planned a tour across the United States for our visitors, who were welcomed and cared for with true Jersey hospitality by everyone they met and visited.



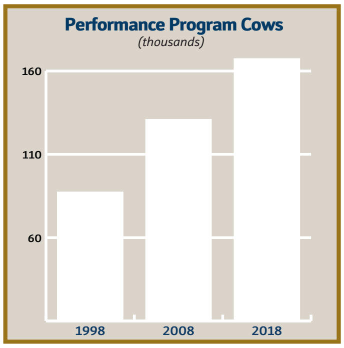
"The Jersey" that will work for you and work well with you.

During the 2018 Annual Meetings in June, "The Jersey" was unveiled. Artist Bonnie Mohr did an astounding job of showcasing a cow which can be universally appreciated by Jersey breeders around the world.

The AJCA Board of Directors and portrait committee worked with Mohr to develop a cow that can be admired by every Jersey breeder, regardless of location or breeding goals. With this idea in mind, the desire to develop three separate angles of the cow came to fruition. The intent was to have a presentation of every view of our beloved cow – front, side, and an angled rear udder view.

The acceptance of the updated "The Jersey" has been encouraging and beyond expectations. Our organization has been able to market over half of the original portraits that were ordered. Of the 750 total prints ordered, 250 of each view, there were 121 complete sets and 66 single prints sold. That leads to 426 prints being sold for revenue of $29,150.

What an incredible tribute to the breed and cow we all admire!



In a time of challenges, the Jersey still thrived.

For the seventh consecutive year, the American Jersey Cattle Association recorded over 100,000 registrations with a grand tally of 132,166. This is the second highest in breed history with credit going to the 4,950 different owners throughout our country.

Registrations are the lifeblood of our organization and most important measuring tool available to determine the current status and future of the breed. With a future as bright as the Jersey's, we expect to see record-breaking years in the near future.

The tools change, but the logic doesn't.

In 2018, a record number of Jersey females were genotyped. With 49,067 females tested, this was an increase of 91.7% from 2017. Jersey breeders are seeing the reliability and credibility coming from genomic predictions continuing to increase which, in turn, is growing their confidence in the value those test results deliver. These genomic results are allowing producers to see the truth in their genetics, in turn helping them tailor their genetic strategy towards future goals and increasing the value of their herd.

Transparency movements push forward.

Throughout the entirety of 2018, the American Jersey Cattle Association Board of Directors made great strides in furthering the transparency of the breed. At the November meetings, it

On The Cover
THE JERSEY by Bonnie L. Mohr, commissioned by the American Jersey Cattle Association.

was determined to require males registered on and after November 1, 2019, to be Generation Count 4 with a Breed Base Representation (BBR) reported as 100, increasing from current requirements of Generation Count 3 and BBR 87. The bull and both parents are still required to be genotyped.

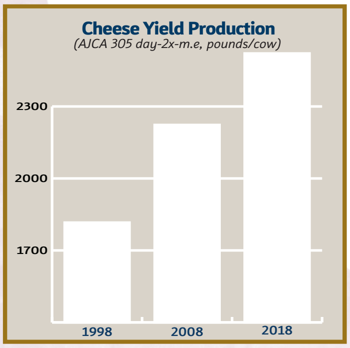
The second major change went into effect January 1, 2019. All Generation Count and JX males must now be genotyped for declared undesirable non-Jersey traits as a condition of registration. Test results must be reported to AJCA and any positive carriers will be reported on animal performance documents.

In addition, the names for all animals, male and female, recorded as UR (unregistered) will include the Generation Count name suffix of {0} and as applicable, the prefix of JX. Any animals that do not achieve registry status will not receive an evaluation for JPI or JUI but will instead receive a URPI or URUI.

2019 Objectives of National All-Jersey Inc.

- Continue to work with industry partners to promote and implement multiple component pricing in Federal Milk Marketing Orders in the southeast.
- Organize a NAJ-AJCA board member fly-in to Washington D.C., to meet with members of the new Congress.
- Produce a series of webinars focused on Jersey nutrition
- Continue to advance A1/A2 beta-casein research.
- Organize and complete on-farm processing forums focused on bringing together successful Jersey processors and Jersey producers interested in beginning on-farm processing.
- Analyze impact of California Federal Milk Marketing Order.
- Be engaged in dairy industry proposals and discussions associated with the Farm Bill.
- Continue to utilize and analyze the FARM-Environmental Stewardship program as a tool to demonstrate the sustainability advantage of Jerseys.
- Recruit research opportunities and promote research that demonstrates the value of high solids milk and the efficiency and sustainability of Jerseys.
- All-Jersey® and Queen of Quality® programs: (a) enroll new producers, (b) expand services and support provided, (c) develop and promote new products using Jersey milk.
- Develop economic analyses that promote increased use of Jersey genetics.
- Look for and advance market arrangements, voluntary and regulated, that obtain or improve Multiple Component Pricing (MCP) for producers not currently receiving MCP or receiving sub-standard MCP.
- Continue work to raise the national minimum nonfat solids standards for fluid milk to meet existing California levels.

The board of directors has had hours of conversations on how to effectively and fairly develop a labeling system to address outside breed influence within our organization. At this time, this is the effort to continue promoting transparency and preserving the qualities our breeders value about the Jersey cow. Our goal is to continue providing dairymen and women the tools and information to make the best decisions for their herds.



Thank goodness we're milking Jerseys!

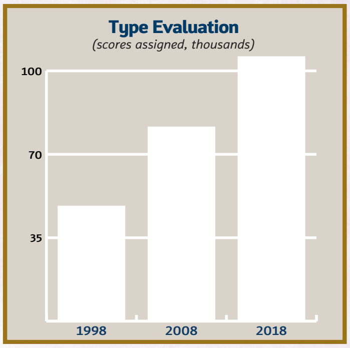
The average production of Jersey cows held steady with a 2018 average of 20,041 lbs. milk, 977 lbs. fat, and 741 lbs. protein based on 101,766 completed lactations of cows identified at Generation Count 4 and higher, standardized to 305 days, 2x, mature equivalent production. On a Cheddar cheese equivalent basis, the average yield was 2,521 lbs. per animal, an 8 lbs. decrease from 2017.

The actual 305-day yield per cow for 2018 averaged 17,630 lbs. milk, 863 lbs. fat, and 650 lbs. protein. Cheese yield equivalent was 2,215 lbs. In 2018, protein production tied with the breed record from 2017. While this is the first year that all three production records have not been broken, that can be attributed to an increase in component percentages within the milk for a more nutrient-dense, profitable product.

Jersey semen demand sees constant increase.

The Jersey breed has seen an immense increase in Jersey semen sales sold through the National Association of Animal Breeders (NAAB) in the past 10 years. In 2009, there were only 1,547,755 units of Jersey semen sold throughout the United States. In a short ten years, there has been a 112% increase in sales with 3,276,210 units sold throughout 2018. This has increased the breed market share to 14.80% across the domestic market.

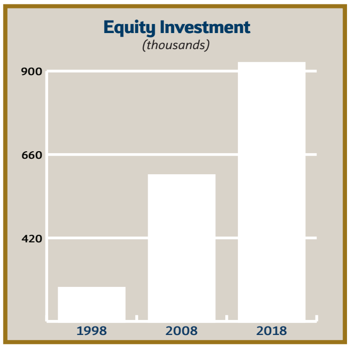
On an international basis, Jersey sales within the United States ended 2018 at 1,287,746 units which was an 8.1% decrease from 2017. Semen sales as a breed have increased 43.26% internationally over the past 10 years, which proves the love and appreciation of our breed is spreading internationally.



Performance evaluations remain steady.

As the years go on, we continue to see steady participation in the performance programs the AJCA offers. As of December 31, there were 167,326 cows enrolled in a performance evaluation program, the second best in history. An additional second-best record was broken, when 2018 finished with 161,251 cows enrolled in REAP with an upturn of 3,754 from 2017. These numbers were calculated based on 933 REAP herds, with our field staff enrolling 60 new herds throughout 2018.

105,134 animals were scored throughout 2018. This was the sixth consecutive year that more than 100,000 cows were evaluated by our linear type traits appraisal program.



NAJ brings added value to Jersey breeders

National All-Jersey Inc. has worked tirelessly to continue advocating for Jersey breeders and the products they produce. A grand total of $901,437 in support for Equity in 2018 stemmed from 986 members. NAJ worked to coordinate industry efforts to implement MCP in Southeast Federal Orders 5 and 7. Research on A2 milk research is continuing through Purdue University.

Throughout the years, NAJ has worked to diversify their efforts to provide producers with additional tools on their operations. In 2018, they worked to produce the first Jersey Nutrition Webinars which provide insight on how to feed the breed to optimize her performance. The second Jersey Value-Added 101 workshop was hosted, giving producers the ability to network with industry professionals and other producers. This workshop provides information and encourage deeper thought regarding how Jersey breeders can diversify their operation while capitalizing on the value of Jersey milk.

Management Team

Accounting
Vickie J. White, Treasurer

National All-Jersey Inc. and AJCA Herd Services
Erick Metzger

Communications
Kimberly A. Billman

Field Service
Kristin Paul

Information Technology
Larry Wolfe

Research and Genetic Development
Cari W. Wolfe

Jersey Marketing Service
Greg Lavan

Records broken for JMS at both the National Heifer and All American Sales.

During the 61st National Heifer Sale in Ohio, bidders celebrated 150 years of the American Jersey Cattle Association in style. Records were broken that night for Jersey Marketing Service for high seller and best average. Two animals broke the high seller record being purchased for $67,500 and $51,000. Upon the completion, 41 animals shattered the previous largest sale average with a value of $7,190.85, compared to the now second place record of $6,555.88 from 2013. Later in November, the 66th All American Sale also had a new high-selling female in the sale at $60,000.

Overall, JMS gross sales declinded in 2018 to a total of $4,140,733. Live animal sales seen at public auctions averaged $1,400.02, compared to the $1,517.39 average of those sold through private treaty. The grand total of 2,873 cow and embryo lots marketed by JMS averaged a total of $1,438.

The Jersey organizations are financially sound.

The American Jersey Cattle Association and National All-Jersey Inc. are in a stable financial position. Combined net income from operations was $52,267 for the year ended December 31, with total (combined) Net Assets of $ 3,974,361.

The Jersey will lead you through.

Leadership has made incredibly important decisions, some of them decades ago, that are still having a positive impact on the Jersey cow and Jersey breeders today.

A visual progression of the Jersey cow hangs on the walls in the AJCA office. Five portraits showcase the changes we've made – as an association and as breeders. Since before the first portrait in 1925, the Jersey cow has seen its breeders through both changing and challenging times.

Those photos remind me each time I look at them of the progress the breed has made. And reiterates to me, the Jersey is the cow for these economic times and will continue to be the cow for today and tomorrow.

Neal Smith
Executive Secretary and Chief Executive Officer

AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

Outline History of Jerseys and the U.S. Jersey Organizations

1851 First dairy cow registered in America, a Jersey, Lily No. 1, born.

1853 First recorded butter test of Jersey cow, Flora 113, 511 lbs., 2 oz. in 50 weeks.

1868 The American Jersey Cattle Club organized, the first national dairy cattle registration organization in the United States.

1869 First Herd Register published and Constitution adopted.

1872 First Scale of Points for evaluating type adopted.

1880 The AJCC incorporated April 19, 1880 under a charter granted by special act of the General Assembly of New York. Permanent offices established in New York City.

1892 First 1,000-lb. churned butterfat record made (Signal's Lily Flag).

1893 In competition open to all dairy breeds at the World's Columbian Exposition in Chicago, the Jersey herd was first for economy of production; first in amount of milk produced; first in amount of butter; first in amount of cheese; required less milk to make a pound of butter or a pound of cheese; and made the highest quality of butter and cheese.

1903 Register of Merit (ROM) testing established, with the Babcock test used to determine fat content.

1917 First Jersey Calf Clubs organized to encourage interest of boys and girls in the Jersey breed.

1918 First 1,000-lb. fat ROM record (Sophie's Agnes).

1927 Jersey Creamline milk program established and copyrighted.

1928 Herd Improvement Registry (HIR) testing adopted.

1929 Tattooing required of all Jerseys to be registered.

1932 Type classification program initiated, as were Tested Sire and Tested Dam ratings and Superior Sire awards.

1933 Female registration number 1000000 issued.

1941 By-law amendment providing for selective registration of bulls approved by membership.

1942 The Victory Bull Campaign results in 1,000 Registered Jersey bulls being donated by AJCC members to American farmers.

1944 The Sale of Stars held in Columbus, Ohio, consisting entirely of donated cattle, the proceeds of which were used to purchase a building site for new office headquarters.

1946 Debut of the All American Jersey Show and Junior Jersey Exposition. The Sale of Stars is established as an annual national consignment sale, eventually to be renamed The All American Sale.

1948 Transfers for fiscal year 1947-48 establish all-time record at 58,708. Research Department created and cooperative research projects undertaken with Iowa, Kansas, and Ohio State colleges of agriculture. Special research committee named to review Club's research.

1949 Research project on "Relation Between Heifer Type and Type and Production of Cows" undertaken.

1950 The 104 cows owned by E. S. Brigham of Vermont, average 11,703 lbs. milk and 616 lbs. butterfat to become the first herd of 100 or more cows, of any breed, to average more than 600 lbs. on official test.

1953 The AJCC launches *Jersey Journal* on October 5. Registrations total 87,682, setting all-time record.

1955 The All-Jersey® milk program, originated in Oregon and Washington, goes national.

1956 A second all-donation sale, the All-American Sale of Starlets, raises funds for an expanded youth program.

1957 National All-Jersey Inc. organized.

1958 The All American Jersey Show and Sale revived after seven-year hiatus, with the first AJCC-managed National Jersey Jug Futurity staged the following year.

1959 Dairy Herd Improvement Registry (DHIR) adopted to recognize electronically processed DHIA records as official. All-Jersey® trademark sales expand to 28 states.

1960 National All-Jersey Inc. initiates the 5,000 Heifers for Jersey Promotion Project, with sale proceeds from donated heifers used to promote All-Jersey® program growth and expanded field service.

1964 Registration, classification and testing records converted to electronic data processing equipment.

1967 AJCC Research Foundation created as 501(c)(3) charitable trust sponsoring scientific research.

1968 USDA Predicted Difference sire evaluations, which also introduced concept of repeatability, implemented. Official Performance Certificate introduced. AJCC Centennial annual meeting held in conjunction with the International Conference of the World Jersey Cattle Bureau and The All American Show & Sale. The All American Sale averages $4,198.21, highest average ever recorded for a Jersey sale.

1969 First 1,500-lb. fat record (The Trademarks Sable Fashion).

1970 Jersey Marketing Service formed as subsidiary of National All-Jersey Inc., and the next year manages National Heifer, Pot O'Gold, and All American sales.

1973 Registered Jerseys on official test average 10,304 lbs. milk and 514 lbs. fat (305-day, 2x, m.e.).

1974 Genetic Recovery program approved by membership.

1975 First 30,000-lb. milk record (Basil Lucy Minnie Pansy).

1976 Equity Project launched to advocate for component-based milk pricing and higher minimum standards.

1978 First multi-trait selection tool, Production Type Index (PTI), introduced. For first time, Jerseys selling at auction average more than $1,000 per head ($1,026.51).

1980 Registrations total 60,975, of which 11,529 are from Genetic Recovery. Linear functional type traits appraisal program replaces classification. Young Sire Program introduced. "800 in '80" results in 813 Equity Investors.

1982 DHIR lactation average reaches 12,064 lbs. milk and 578 lbs. fat. First 1,000-lb. protein record made (Rocky Hill Silverlining Rockal).

1983 Five bulls enrolled in the Young Sire Program receive USDA summaries. All are plus.

1984 Jersey milk producers receive additional income estimated at $16 million due to Equity market development. The first Jersey Directory is published.

1985 First breeder-directed regional young sire proving group, Dixieland Jersey Sires, Inc., organized.

1986 Jersey Mating Program implemented.

1987 For first time, 50,000 cows enrolled on performance programs. Campaign beings to increase AJCC Research Foundation endowment to $1 million. The largest All American Jersey Show in history is completed, with 617 head exhibited.

1988 USDA issues decision implementing multiple component

continued on page 6

pricing in the Great Basin Federal Order. DHIR lactation average reaches 13,068 lbs. milk and 616 lbs. fat. The new AJCC-NAJ headquarters building is completed. Laurence and Mary French Rockefeller of The Billings Farm donate $100,000 to the AJCC Research Foundation.

1989 AJCC and NAJ Boards adopt challenge of increasing protein production in relation to butterfat production.

1990 DHIR lactation average reaches 14,091 lbs. milk, 662 lbs. fat and 524 lbs. protein. The National Jersey Jug Futurity has its largest show ever, with 62 exhibited.

1991 REGAPP software introduces paperless registration. Sunny Day Farm and Meri-Acres become the first Jersey herds to average over 20,000 lbs. milk per cow.

1993 DHIR lactation average reaches 15,231 lbs. milk, 706 lbs. fat and 564 lbs. protein.

1994 The Club is reincorporated in the State of Ohio and its name changed to American Jersey Cattle Association.

1995 REAP—bundling registration, Equity/NAJ membership, performance evaluation and type appraisal—introduced.

1996 After USDA calls for proposals on Federal Order pricing reform, National All-Jersey Inc. is among first to respond, recommending use of end-product pricing for all classes of milk. Breed average reaches 16,051 lbs. milk, 737 lbs. fat and 591 lbs. protein.

1997 Genetic Diversity Program is introduced. Performance program enrollments exceed 75,000 cows for first time.

1998 Introduction of internet-intranet data processing system delivers real-time registration service and on-demand pedigree information 24/7. Net assets of the AJCC Research Foundation reach $1 million.

1999 On March 31, USDA issues final rule applying multiple component pricing to 85% of Federal Order production, effective January 1, 2000. Jersey Expansion program is introduced. First 2,000-lb. fat record (Golden MBSB of Twin Haven-ET).

2000 Official production average exceeds 17,000 pounds for first time, with 57,170 records averaging 17,680 lbs. milk, 807 lbs. fat and 644 lbs. protein. First 40,000-lb. milk and 1,500-lb. protein record (Greenridge Berretta Accent).

2001 The 5-millionth animal is registered. Equity's 25 years celebrated and the 171 Charter Investors recognized. Performance program enrollments exceed 100,000 for the first time. JerseyMate™ is introduced.

2002 DHIR lactation average increases to 18,039 lbs. milk, 823 lbs. fat and 641 lbs. protein. Rules are expanded to allow use of approved eartags for registration ID. Jersey Performance Index™ implemented, with 70% emphasis on production and 30% on fitness traits. The All American Jersey Show & Sale celebrates 50th anniversary, and All American Junior Show largest in history with 333 head.

2003 NAAB reports domestic sales of Jersey semen exceed 1 million units for the first time. *Jersey Journal* celebrates 50th anniversary of publication.

2004 Equity membership grows to 1,000 for the first time in history. Jersey Marketing Service completes first $10 million year for public auction and private treaty sales.

2005 The 95 heifers donated to the National Heifer Sale average $3,626.11, with proceeds to the AJCC Research Foundation and national Jersey youth programs. REAP program completes first decade with record 108,786 cows in 728 herds. Royalties paid to five regional young sire groups since inception tops $1 million.

2006 USDA-AIPL revision of Productive Life evaluations shows Jerseys have 183-day advantage over industry average. 2010 goal of 90,000 registrations adopted.

2007 First 2,500-lb. fat record (Norse Star Hallmark Bootie). Mainstream Jerseys becomes first Jersey herd to average over 30,000 lbs. milk per cow. Jersey Marketing Service posts best year in its history with gross sales of $13,089,073. Commercial genotyping test (Illumina BovineSNP50 chip) released. Jersey Udder Index™ implemented.

2008 Registrations exceed 90,000 for first time. Equity membership grows to record of 1,135. Queen of Quality® brand program introduced to complement All-Jersey® fluid milk marketing program. First 50,000-lb. milk and 1,750-lb. protein record (Mainstream Barkly Jubilee). JerseyLink™ is introduced.

2009 Genomic evaluations become official. First North American Jersey Cheese Awards conducted. Inaugural class of Jersey Youth Academy.

2010 Combined domestic–export Jersey semen sales exceed 3 million units for first time in history. First-generation low-density genomic test released. Pot O'Gold Sale is first auction of any breed featuring entirely genotyped offering. Ratliff Price Alicia is first cow selected National Grand Champion for three consecutive years. NAJ-funded and peer-reviewed research determines that the carbon footprint from production of Jersey milk is 20% less than that of Holsteins, measured per unit of cheese yield.

2011 Fundraising goal exceeded as 73 donated heifers drive Vision Gift campaign for Jersey Youth Academy. Domestic Jersey semen sales exceed 2 million units for first time in history.

2012 For first time, association records 100,000 animals (December 27) and processes 100,000 lactations. Record average set at Pot O'Gold Sale ($5,331.67).

2013 For the first time, over 100,000 cows scored in type appraisal program and combined domestic–export Jersey semen sales exceed 4 million units.

2014 Through 40 years of Genetic Recovery, 508,112 females recorded, 19.5% of all registrations. Jersey Performance Index™ is revised with weights of 58% production, 20% udder health, 11% herd life and 11% fertility. Record established for series average at The All American Sale ($11,972.78).

2015 New records set for all performance programs enrollment (169,913 cows), REAP enrollment (164,118 cows, 986 herds) and linear type evaluation (119,545 scores). All-time records established for lifetime fat and protein production (Mainstream Jace Shelly). Domestic semen sales exceed 3 million units for first time. U.S. Jersey auction sales average of $2,691.44 sets all-time record.

2016 Genetic Recovery and Jersey Expansion programs retired and replaced by Generation Count recording system. Equity's 40th anniversary celebrated; total program investment reaches $13,845,893. Domestic market share for semen sales increases to 13.0%. All-time record set for lifetime milk production (Mainstream Jace Shelly).

2017 Registration record broken July 26, year ends with 184,957 animals recorded, the sixth consecutive year over 100,000 registrations. New milestone for production is 20,150 lbs. milk, 985 lbs. fat, and 743 lbs. protein, 2,529 lbs. cheese yield. Second 50,000-lb. milk and 1,750-lb. protein record (K&K Impact Olga). Record set for Jersey*Tags* sales at 581,866 tags.

2018 Celebrated 150 years of the association. "The Jersey" portrait was unveiled. Second highest registration year in history with 132,666. 49,067 females genotyped with an increase of 91.68% from 2017. Record set for series average at National Heifer Sale ($7,190.85).

To the Members of:
American Jersey Cattle Association and National All-Jersey Inc.

The American Jersey Cattle Association (AJCA), National All-Jersey Inc. (NAJ) and its subsidiary All-Jersey Sales Corporation (AJSC), reported a combined net income from operations of $52,267 for the year ended December 31, 2018.

American Jersey Cattle Association

Revenues	$4,109,750
Expenditures	$4,018,614
Net Income from Operations (Before All American and Other Income and Expense)	$ 91,136

National All-Jersey Inc. and Subsidiary

Revenues	$ 1,105,745
Expenditures	$ 1,144,614
Net Loss from Operations (Before Other Income and Expense)	$ (38,869)

The companies recorded strong participation in most core service areas. Combined revenues are as follows:

Identification Services	50%
Performance Services	17%
Equity	17%
Jersey Journal	7%
Cattle Marketing Services	3%
Other	6%

The organizations' marketable securities are reported at market value of $2,099,041. Due to the decrease in market values compared to 2017, an unrealized loss was recorded at December 31, 2018 to reflect the variance in cost versus fair market value of the companies' investments.

The companies reported net assets at December 31, 2018 of:

American Jersey Cattle Association	$ 2,543,586
National All-Jersey Inc. and Subsidiary	$ 1,430,775
Total (combined) Net Assets	$ 3,974,361

The AJCC Research Foundation reported net assets of $2,168,819 at year-end December 31, 2018. The Research Foundation supported eight (8) projects totaling $82,578. The scholarship funds administered by the AJCA awarded twelve (12) scholarships totaling $31,750. Total combined net assets in the scholarship funds as of December 31, 2018 were $517,478. Net assets held in the Jersey Youth Academy Fund at December 31, 2018 were $502,998.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accounting firm, Tidwell Group, LLC. These statements clearly state the financial position of the companies at December 31, 2018 and are presented in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Vickie J. White

Vickie J. White
Treasurer

To the Board of Directors
American Jersey Cattle Association

We have audited the accompanying financial statements of American Jersey Cattle Association which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Jersey Cattle Association as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tidwell Group, LLC
Columbus, Ohio
April 3, 2019

AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	**$ 214,922**	$ 492,201
Investments, at fair value	**284,915**	309,072
Accounts receivable, net	**467,767**	593,078
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	**748,412**	605,677
Supplies and inventories	**31,856**	21,850
Prepaid expenses and other assets	**95,489**	107,230
Total current assets	**1,843,361**	2,129,108
PROPERTY AND EQUIPMENT		
Land	**68,000**	68,000
Building	**494,448**	494,448
Operating equipment	**1,788,888**	1,736,978
Software development	**137,539**	137,539
	2,488,875	2,436,965
Less accumulated depreciation and amortization	**(2,236,437)**	(2,153,970)
Total property and equipment, net	**252,438**	282,995
OTHER ASSETS		
Investments, at fair value	**1,242,669**	1,347,677
Total other assets	**1,242,669**	1,347,677
	$ 3,338,468	$ 3,759,780

LIABILITIES AND NET ASSETS	2018	2017
CURRENT LIABILITIES		
Current portion of unexpired subscriptions	**$ 12,717**	$ 29,082
Current portion of note payable	**80,477**	77,473
Accounts payable	**169,830**	221,885
Accrued expenses	**51,599**	81,342
Awards, The All American Show & Sale	**55,292**	63,760
Awards, National Jersey Jug Futurity	**11,099**	10,910
Unearned fees and remittances	**330,378**	371,218
Total current liabilities	**711,392**	855,670
NONCURRENT LIABILITIES		
Unexpired subscriptions and directory listings, net of current portion	**42,176**	29,740
Note payable, net of current portion	**41,314**	121,686
	83,490	151,426
Total liabilities	**794,882**	1,007,096
NET ASSETS		
Without donor restrictions:		
Board designated	**1,441,913**	1,629,588
Undesignated	**1,101,673**	1,123,096
Total net assets	**2,543,586**	2,752,684
	$ 3,338,468	$ 3,759,780

See Notes to the Financial Statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	2018	2017
REVENUES		
Fees	**$ 3,605,744**	$ 3,762,103
Jersey Journal advertising and subscriptions	**377,706**	421,030
Interest and dividend income	**78,837**	57,674
Other	**47,463**	39,345
Total revenues	**4,109,750**	4,280,152
COST OF OPERATIONS		
Salaries, service, and administrative	**3,469,246**	3,560,158
Jersey Journal publishing	**447,744**	418,346
Depreciation and amortization	**95,293**	119,637
Interest expense	**6,331**	9,258
Total cost of operations	**4,018,614**	4,107,399
INCREASE IN NET ASSETS FROM OPERATIONS	**91,136**	172,753
OTHER INCOME (EXPENSE)		
Net gain (loss) from The All American Show and Sale	**(56,592)**	885
Net realized and unrealized gain on investments	**(55,967)**	18,076
Total other income (expense)	**(112,559)**	18,961)
Board authorized appropriation from Undesignated to Designated	**-**	(100,000)
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**(21,423)**	91,714
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	**(82,667)**	(4,010)
Net realized and unrealized (loss) gain on investments	**(105,008)**	111,247
Board authorized appropriation from Undesignated to Designated	**-**	100,000
Total expenditures from designated net assets	**(187,675)**	207,237
CHANGE IN NET ASSETS	**(209,098)**	298,951
NET ASSETS, beginning	**2,752,684**	2,453,733
NET ASSETS, ending	**$ 2,543,586**	$ 2,752,684

See Notes to the Financial Statements.

Statements of Cash Flows have not been included with these reports. A copy is available upon request.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of business. In 1868, The American Jersey Cattle Club was organized. The American Jersey Cattle Club was incorporated under a charter granted by a special act of the General Assembly of New York on April 19, 1880. On July 1, 1994, the Club was reincorporated in the State of Ohio, and the name was changed to American Jersey Cattle Association (AJCA or the Association).

The purposes of the American Jersey Cattle Association, an association of Jersey breeders, are to improve and promote the breed of Jersey cattle in the United States and to maintain such records and activities as the Association deems necessary or conducive to the best interests of the breeders of Jersey cattle. The American Jersey Cattle Association's objective is to provide programs and services to its members that increase the profitability of Jersey cattle.

Adoption of New Accounting Principle. In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The purpose of the ASU is to improve financial reporting by not-for-profits. The ASU, among other things, simplifies the classification of net assets and changes in net assets, requires not-for-profit entities to provide an analysis of expense by natural and functional classifications, and requires enhanced financial statement disclosures regarding a not-for-profit entity's liquidity and availability of resources, self-imposed or donor-imposed limits on the use of resources and methods used to allocate costs among program and support functions. The ASU is effective for annual periods beginning after December 15, 2017 and is to be applied retrospectively to all periods presented, except for a permitted option to only provide disclosure analysis of expenses by functional classifications and liquidity and availability of resources in the period of adoption. The Association adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Basis of presentation. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows.

Without donor restrictions : Net assets available for use in general operation and not subject to donor restrictions. Included in without donor restrictions net assets are Board of Directors' designated net assets for a building fund and research and development which totaled $1,242,669 and $199,244 for 2018 and $1,347,677 and $281,911 for 2017, respectively.

With donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents. For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Investments. Investments consist of money market and mutual funds. Money market funds are carried at cost. Mutual funds are carried at fair value on the statement of financial position, with the change in fair value included in the statements of activities.

Revenue recognition. Revenues for services provided to members are recognized in the period in which the services are performed. Subscription and directory listing revenues are recognized in the period earned.

Accounts receivable. AJCA extends unsecured credit to members under normal terms. Unpaid balances begin accruing interest 30 days after the invoice date at a rate of 1 ½% per month. Payments are applied first to the oldest unpaid invoice. Accounts receivable are presented at the amount billed plus any accrued and unpaid interest. Management estimates an allowance for doubtful accounts, which was $60,000 and $70,000 as of December 31, 2018 and 2017,respectively. The estimate is based upon management's review of delinquent accounts and an assessment of the Association's historical evidence of collections. Bad debt expense of $20,125 and $16,349 was recognized for the years ended December 31, 2018 and 2017, respectively, as a result of this estimate. Specific accounts are charged directly to the reserve when management obtains evidence of a member's insolvency or otherwise determines that the account is uncollectible.

Valuation of long-lived assets. The Association reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There were no impairment losses recognized in 2018 or 2017.

Income taxes. AJCA is exempt from Federal taxes on income under Section 501(c)(5) of the Internal Revenue Code, except for income derived from unrelated business activities, as defined in the Code. For 2018 and 2017 these activities include primarily magazine advertising. There was no income tax expense for 2018 and 2017 relating to Jersey Journal publishing.

The Association follows ASC guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Association has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Examples of tax positions include the tax-exempt status of the Association, and various positions related to the potential sources of unrelated business taxable income (UBIT). The Company files tax returns in all appropriate jurisdictions. For the years ended December 31, 2018 and 2017, management has determined that there are no material uncertain tax positions. The Association files Forms 990 and 990T in the U.S. federal jurisdiction.

Concentrations of credit and market risk. The Association maintains its demand deposits and temporary cash investments with one financial institution. Balances may at times exceed federally insured limits. Cash equivalents and investments are maintained in trust accounts with a trust company. The Association continually monitors its balances to minimize the risk of loss.

AJCA's trade receivables result from registrations and related fees due from members who are located primarily in the United States.

AJCA also invests funds in a professionally managed portfolio that contains various securities detailed in Note 8. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Property and equipment. Property and equipment are stated at cost. Expenditures which materially increase values or extend useful lives are capitalized. Routine maintenance and repairs are charged to expense as incurred. The cost of assets sold or retired and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Any gains or losses resulting from property disposals are included in income.

AJCA provides for depreciation in amounts adequate to amortize cost over the estimated useful lives of the assets, utilizing the straight-line method, generally as follows:

Class of Assets	Useful Lives
Building	31½ years
Operating equipment	3–10 years
Software development	3 years

Affiliated company. AJCA is affiliated with National All-Jersey Inc. (NAJ) and its wholly-owned subsidiary, All-Jersey Sales Corporation (AJSC). These entities conduct operations from the same facility and have certain common directors, officers, and staff. Therefore, it is necessary to allocate jointly incurred expenses, such as salaries, rents, utilities, depreciation, and other costs of service and administration. The costs of operations reflected in the Statements of Activities of AJCA are net of reimbursements of $232,883 and $267,226 for 2018 and 2017, respectively, from the above-mentioned affiliated companies for these jointly incurred costs.

AJCA has a $175,000 line of credit due which is collateralized by investments held by AJCA and NAJ. No funds were drawn on this line of credit as of December 31, 2018 and 2017.

Unearned fees and remittances. Unearned fees and remittances represent amounts received in advance for registrations, transfers and total performance evaluation.

Supplies and inventories. Supplies and inventories consist of office supplies and promotional items available for sale which are valued at the lower of cost or net realizable value.

Advertising. The Association's advertising efforts are associated with nondirect-response programs. The costs are expensed in the period of the related advertisement. The Association expensed $7,052 and $7,160 for the years ended December 31, 2018 and 2017, respectively.

Subsequent events. The Association evaluates events and transactions occurring subsequent to the date of the financial statements through the date the financial statements were available to be issued for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements and the date related disclosures consider events through April 3, 2019, the date which the financial statements were available to be issued.

Note 2. Expenses by Cost of Operations Classification

The Association's operating expenses by functional classification for December 31 are as follows:

	2018	2017
Herd Services	$1,568,409	$ 1,710,647
Information Technology	333,927	374,847
Performance	663,441	667,785
Jersey Journal	447,744	418,852
Development	107,781	121,944
Field	598,140	573,292
Accounting, administration, and general	299,172	240,032
Total cost of operations	$4,018,614	$ 4,107,399

Note 3. Lines of Credit

At December 31, 2018 and 2017, the Association has available a $100,000 line of credit due on demand with interest payable monthly at prime (5.25 % and 4.25% at 2018 and 2017, respectively). The line is collateralized by investments held by AJCA. No funds were drawn on the line as of 2018 or 2017.

At December 31, 2018 and 2017, AJSC has available a $175,000 line of credit due on demand with interest payable monthly at prime. The line is collateralized by investments held by AJCA and NAJ (Note 1). No funds were drawn on the line as of December 31, 2018 and 2017.

Note 4. Note Payable

In June 2015, the Association entered into a note payable agreement with a bank for $380,000 bearing interest at 3.18%. The note requires monthly payments of $6,975, including principal and interest. The note is payable in full in June 2020. The note is collateralized by all property of the Association.

Maturities of the note payable in each of the next two years are approximately as follows:

Years Ending:	2019	80,477
	2020	41,314
		$ 121,791

There has been no significant change in interest rates available to the Association. Therefore, the fair value of the note payable approximates the carrying value.

Note 5. Operating Lease Obligations

In 2013, the Association entered into a lease for equipment under an operating lease which expired in 2018. In 2018, the Association entered into a lease for equipment under an operation lease which expires in 2023. Lease expense for the years ended December 31, 2018 and 2017 totaled $30,973 and $27,703, respectively. Future minimum lease payments for the next 5 years are approximately as follows:

Years Ending	2019	$ 29,028
	2020	29,028
	2021	29,028
	2022	29,028
	2023	16,933

Note 6. Employee Benefit Plan

The Association maintains a 401(k) plan covering substantially all employees who have been employed for one year with at least 1,000 hours of service. The plan allows for a matching contribution of 25% of employees' contributions up to a maximum contribution of 15% of salary. Matching contributions for 2018 and 2017 amounted to $33,594 and $29,290, respectively.

Note 7. Designation of Net Assets

The Board of Directors has designated net assets for the following at December 31:

	2018	2017
Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)*	$ 1,242,669	$ 1,347,677
Research and development - increased annually on a discretionary basis	199,244	281,911
	$ 1,441,913	$ 1,629,588

In 2018 and 2017, there were expenditures of $82,667 and $4,010, respectively, from the research and development designated net assets. In 2018 and 2017, the Board of Directors authorized an appropriation from undesignated to research and development of $-0- and $100,000, respectively.

Note 8. Investments

Investments consist of the following at December 31:

	2018	2017
Money market	$ 31,888	$ 37,678
Mutual funds	1,495,696	1,619,071
	$ 1,527,584	$ 1,656,749

Total investment income consists of the following at December 31:

	2018	2017
Interest and dividend income	$ 83,862	$ 61,348
Net realized and unrealized (loss) on investments	(171,237)	137,563
	$ (87,375)	$ 198,911

The investment income attributable to All American Show and Sale is as follows and has been reflected in the "Net gain from All American Show and Sale" on the Statements of Activities and in the above schedule.

	2018	2017
Interest and dividend income	$ 5,025	$ 3,674
Net realized and unrealized (loss) on investments	(10,262)	8,240
	$ (5,237)	$ 11,914

Note 8. Fair Value Measurements

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities. The FASB established a framework for measuring fair value, established a three-level valuation hierarchy for disclosure of fair value measurement and enhanced disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The Association uses various valuation approaches, including market, income and/or cost approaches. The framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Association. Unobservable inputs are inputs that reflect the Association's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments. The fair values of investments are based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, due to the limited market activity of the instrument, fair value is based upon externally developed models that use unobservable inputs.

The following tables set forth by level within the fair value hierarchy the Association's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2018 and 2017. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The tables do not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

December 31, 2018

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 261,879	$ 261,879	$ –	$ –
U.S. large-cap value	94,945	94,945	–	–
U.S. large-cap growth	169,617	169,617	–	–
U.S. mid-cap	40,381	40,381	–	–
U.S. small-cap	55,250	55,250	–	–
International	145,632	145,632	–	–
Emerging Markets	28,325	28,325	–	–
Multi-sector	31,226	31,226	–	–
Fixed income mutual funds:				
Short-term	287,291	287,291	–	–
High-yield	102,212	102,212	–	–
Intermediate	231,576	231,576	–	–
Real estate securities fund	47,362	47,362		
Total Assets	$ 1,495,696	$ 1,495,696	$ –	$ –

December 31, 2017

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 301,039	$ 301,039	$ –	$ –
U.S. large-cap value	98,917	98,917	–	–
U.S. large-cap growth	189,433	189,433	–	–
U.S. mid-cap	49,968	49,968	–	–
U.S. small-cap	66,658	66,658	–	–
International	166,486	166,486	–	–
Emerging Markets	33,810	33,810	–	–
Multi-sector	42,714	42,714	–	–
Fixed income mutual funds:				
Short-term	284,761	284,761	–	–
High-yield	107,913	107,913	–	–
Intermediate	228,340	228,340	–	–
Real estate securities fund	49,032	49,032		
Total Assets	$ 1,619,071	$ 1,619,071	$ –	$ –

Note 10. Functional Expenses

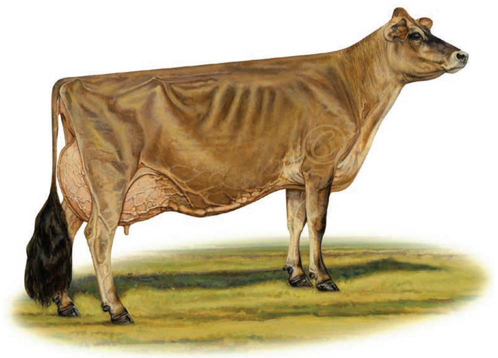
The cost of providing the various programs and other activities has been summarized on a functional basis in the table below. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

	Herd Services	Performance	Jersey Journal	Total Program	Administrative	TOTAL
Salaries and benefits	$447,559	$672,795	$299,188	$1,419,542	$163,412	$1,582,954
Program services	1,336,287	36,494	2,736	1,375,517	7,898	1,383,415
Occupancy and general	95,767	96,911	48,441	241,119	25,394	266,513
Depreciation	13,824	24,698	1,975	40,497	7,900	48,397
Office supplies	63,496	77,681	25,508	166,685	30,780	197,465
Postage and printing	27,571	10,140	122,321	160,032	2,597	162,629
Information technology	7,473	8,540	1,068	17,081	4,270	21,351
Travel	31,429	253,170	11,508	296,107	17,744	313,851
Auto expense	11,446	16,087	1,635	29,168	6,540	35,708
Interest expense	2,216	2,532	317	5,065	1,266	6,331
Net loss from All American Show and Sale	56,592	-	-	56,592	-	56,592
Research and development	82,667	-	-	82,667	-	82,667
Net realized and unrealized loss on investments	-	-	-	-	160,975	160,975
	$2,176,327	$1,199,048	$514,697	$3,890,072	$428,776	$4,318,848

Note 11. Liquidity and Availability of Resources

The Association has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This amount consists of cash and accounts receivable as presented on the accompanying statements of financial position. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Association maintains financial assets on hand to meet normal operating expenses. As more fully described in Note 3, the Association also has committed lines of credit, which it could draw upon in the event of an unanticipated liquidity need.



To the Board of Directors
National All-Jersey Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of National All-Jersey Inc. and Subsidiary which comprise the statements of financial position, as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tidwell Group, LLC
Columbus, Ohio
April 3, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,537,980**	$1,392,196
Custodial cash	**11,684**	203,990
Investments, at fair value	**571,457**	619,908
Accounts receivable, net	**160,294**	104,096
Total current assets	**2,281,415**	2,320,190
PROPERTY AND EQUIPMENT		
Land	**12,000**	12,000
Building	**87,256**	87,256
Furniture and equipment	**20,939**	18,936
Vehicles	**124,091**	124,091
	244,286	242,283
Less accumulated depreciation and amortization	**(216,454)**	(196,094)
Total property and equipment, net	**27,832**	46,189
	$ 2,309,247	$ 2,366,379

LIABILITIES AND NET ASSETS	2018	2017
CURRENT LIABILITIES		
Accounts payable	**$ 4,298**	$ 5,911
Advances due to American Jersey Cattle Association	**748,412**	605,678
Fees due consignors	**16,487**	99,402
Accrued expenses	**12,791**	12,165
Accrued payroll and related benefits	**11,888**	21,826
Advances and reserves for advertising	**31,828**	31,828
Deferred income	**52,768**	55,032
Total current liabilities	**878,472**	831,842
NET ASSETS		
Without donor restrictions:		
Board designated	**391,809**	392,643
Undesignated	**1,038,966**	1,141,894
Total net assets	**1,430,775**	1,534,537
	$ 2,309,247	$2,366,379

See Notes to the Consolidated Financial Statements.

Statements of Cash Flows have not been included with these reports.
A copy is available upon request.

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	2017	2016
REVENUES		
Equity project fees	**$ 901,437**	$ 920,079
Commissions	**146,458**	398,131
Interest and dividend income	**31,411**	22,975
Other	**26,439**	37,049
Total revenues	**1,105,745**	1,378,234
COST OF OPERATIONS		
Salaries, service, and administrative	**1,009,235**	1,127,287
Field services	**104,466**	118,164
Bad debt expense	**9,037**	4,175
Depreciation and amortization	**21,876**	23,906
Total costs of operations	**1,144,614**	1,273,532
CHANGE IN NET ASSETS FROM OPERATIONS	**(38,869)**	104,702
OTHER INCOME		
Net realized and unrealized (loss) gain on investments	**(64,059)**	51,435
Total other income (expense)	**(64,059)**	51,435
Board authorized appropriation from Undesignated to Designated	-	(100,000)
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**(102,928)**	56,137
INCREASES (DECREASES) FROM DESIGNATED NET ASSETS		
Research and development	**(834)**	(2,005)
Board authorized appropriation from Undesignated to Designated	-	100,000
Total increase from Designated net assets	**(834)**	97,995
CHANGE IN NET ASSETS	**(103,762)**	154,132
NET ASSETS, beginning	**1,534,537**	1,380,405
NET ASSETS, ending	**$ 1,430,775**	**$ 1,534,537**

Note 1. Nature of Organization and Significant Accounting Policies

Nature of business. National All-Jersey Inc. (NAJ) (the Company) was incorporated in the State of Ohio in 1957. Its purpose is to promote the increased production and sale of Jersey milk and milk products, and to promote Jersey cattle and the interests of breeders of Jersey cattle.

All-Jersey Sales Corporation (AJSC) (Subsidiary), a wholly-owned subsidiary of National All-Jersey Inc. was incorporated in the State of Ohio in 1961. It is a for-profit corporation with the original purpose of developing and selling All-Jersey milk advertising materials. In 1970, the corporation started a cattle marketing service, Jersey Marketing Service (JMS). The purpose of Jersey Marketing Service is to provide marketing assistance to buyers and sellers of Jersey cattle and embryos.

The objectives of both National All-Jersey Inc. and All-Jersey Sales Corporation are to increase the value of and demand for Jersey milk and cattle.

Principles of consolidation. The consolidated financial statements include the accounts of NAJ and its wholly-owned subsidiary, AJSC. All significant intercompany accounts and transactions have been eliminated.

Adoption of New Accounting Principle: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The purpose of the ASU is to improve financial reporting by not-for-profits. The ASU, among other things, simplifies the classification of net assets and changes in net assets, requires not-for-profit entities to provide an analysis of expense by natural and functional classifications, and requires enhanced financial statement disclosures regarding a not-for-profit entity's liquidity and availability of resources, self-imposed or donor-imposed limits on the use of resources and methods used to allocate costs among program and support functions. The ASU is effective for annual periods beginning after December 15, 2017 and is to be applied retrospectively to all periods presented, except for a permitted option to only provide disclosure analysis of expenses by functional classifications and liquidity and availability of resources in the period of adoption. The Company adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Basis of presentation. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operation and not subject to donor restrictions. The Board of Directors has designated assets for research and development which totaled $391,809 and $392,643 for 2018 and 2017, respectively. In 2018 and 2017, the Board of Directors authorized an additional $-0- and $100,000, respectively, to be designated for research and development.

With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments. Investments consist of money market and mutual funds. Money market funds are carried at cost which represents fair value. Mutual funds are carried at fair value on the statement of financial position, with the change in fair value included in the statement of activities and changes in net assets.

Cash and cash equivalents. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Custodial cash. The Company maintains cash due consignors in a separate custodial cash account.

Revenue recognition. Equity project fees are contributions from individual producers or producer organizations. The money is used to develop markets and to promote multiple component pricing. Equity project revenue is recognized in the period received, however, equity fees received as annual Registration, Equity, Appraisal, Performance (REAP) payments are recognized over a 12 month period using straight-line amortization.

Jersey Marketing Service recognizes public sale commissions in the period in which the sale is held and private sale commissions in the period in which the transaction has been completed.

Accounts receivable. JMS extends credit to buyers of cattle at public auction sales. JMS typically does not pay sellers of cattle until collection from buyers has occurred for dispersal auction sales, per the sales contract. JMS typically guarantees payment to consignors of public consignment auction sales based on the selling price of the consignment. Accounts receivable are reflected at their billed amount. Management estimated an allowance for doubtful accounts, which was $15,000 as of December 31, 2018 and 2017. Bad debt expense of $9,037 and $4,175 was recognized for 2018 and 2017, respectively, as a result of this estimate. Specific accounts are charged directly to the reserve when management obtains evidence that the account is uncollectible.

Affiliated company. National All-Jersey Inc. and its wholly-owned subsidiary, All-Jersey Sales Corporation, are affiliated with American Jersey Cattle Association (AJCA) (the Association). These entities conduct operations from the same facility and have certain common directors, officers, and staff. Therefore, it is necessary to allocate jointly incurred expenses, such as salaries, rents, utilities, depreciation, and other costs of services and administration. The cost of operations reflected in the Consolidated Statements of Activities for 2018 and 2017 include reimbursements of $255,788 and $282,392, respectively, paid to the Association for these jointly incurred costs.

Valuation of long-lived assets. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There were no impairment losses recognized in 2018 and 2017

Income taxes. National All-Jersey Inc. is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. All-Jersey Sales Corporation is not exempt from income taxes.

AJSC accounts for income taxes using the liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Company follows ASC guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Company files tax returns in all appropriate jurisdictions. For the years ended December 31, 2018 and 2017, management has determined that there are no material uncertain tax positions.

While no tax returns area currently being reviewed by the Internal Revenue Service, tax years since 2015 remain open.

Concentration of credit and market risk. The Company maintains its demand deposits and temporary cash investments with one financial institution. Balances may at times exceed federally insured limits. Cash equivalents and investments are maintained in trust accounts with a trust company. The Company continually monitors its balances to minimize the risk of loss.

The Company's cattle sales are primarily to domestic buyers. The Company minimizes credit risk with foreign buyers by requiring irrevocable letters of credit or cash upon sale until they have established a business relationship and understanding with the buyer.

The Company also invests in a professionally managed portfolio that contains various securities as detailed in Note 9. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods

Property and equipment. Property and equipment are stated at cost. Expenditures which materially increase values or extend useful lives are capitalized. Routine maintenance and repairs are charged to expense as incurred. The cost of assets sold or retired and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Any gains or losses resulting from property disposals are included in income.

The Company provides for depreciation in amounts adequate to amortize cost over the estimated useful lives of the assets, utilizing the straight-line method, generally as follows::

Class of Assets	Useful Lives
Building	31½ years
Furniture and equipment	10 years
Vehicles	3–5 years

Fees due consignors. Fees due consignors represent amounts due to sellers of Jersey cattle from public auctions and private treaty sales managed by JMS.

Advertising. The Company's advertising efforts are associated with nondirect-response programs. The costs are expensed in the period of the related advertisement. The Company expensed $4,407 and $21,532 for the years ended December 31, 2018 and 2017, respectively.

Subsequent events. The Company evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying consolidated financial statements and related disclosures consider events through April 3, 2019, the date which the consolidated financial statements were available to be issued.

Note 2. Expenses by Cost of Operations Classification

The Company's operating expenses by functional classifications for December 31 are as follows:

	2018	2017
National All-Jersey Equity program	$ 582,965	$ 580,841
Accounting, administration, general and field service	269,372	291,855
All-Jersey Sales (JMS)	281,570	400,836
Total cost of operations	$ 1,133,907	$1,273,532

Note 3. Advances and Reserves for Advertising

	December 31, 2018	December 31, 2017
5% National - represents funds accumulated as a percentage of member advances to be applied to cost of national or regional advertising for benefit of all members	$ 31,828	$ 31,828

Note 4. Designation of Net Assets

The Board of Directors has designated net assets for the following at December 31:

	2018	2017
Research and development: Increased annually on a discretionary basis, $-0- and $100,000 for the years ended December 31, 2018 and 2017, respectively. In 2018 and 2017, there were expenditures of $834 and $2,005, respectively, from the research and development designated net assets.	$ 391,809	$ 392,643

Note 5. Income Taxes

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax reporting purposes in different periods. Deferred taxes are classified as current or long-term, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or long-term depending on the periods in which the temporary differences are expected to reverse.

Net deferred tax assets in the accompanying balance sheet include the following components at December 31:

Deferred Tax Assets	2018	2017
Provision for doubtful accounts	$ 2,600	$ 2,600
Net operating loss	132,300	110,000
Gross deferred tax assets	134,900	112,600
Less valuation allowance	(134,900)	(112,600)
Net deferred tax assets	$ –	$ –

For the year ended December 31, 2018, AJSC incurred net operating loss and the future deductible net operating loss carry forward was increased. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2018, the Company had approximately $779,000 of federal net operating loss carryforwards. The net operating loss carry forwards, if not utilized, will begin to expire in 2030.

Note 6. Lines of Credit

At December 31, 2018 and 2017, the Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime (5.25% and 4.25% at December 31, 2018 and 2017, respectively). The line is collateralized by investments held by NAJ and AJCA. NAJ is a guarantor on the line of credit. No funds were drawn on the line at December 31, 2018 and 2017.

Note 7. Benefit Plan

The Company maintains a 401(k) plan covering substantially all employees, who have been employed for one year with at least 1,000 hours of service. The plan allows for a matching contribution of 25% of employees' contributions up to a maximum contribution of 15% of salary. Matching contributions for 2018 and 2017 amounted to $6,360 and $7,466, respectively.

Note 8. Investments

Investments consisted of the following at December 31:

	2018	2017
Money market	$ 11,919	$ 14,130
Mutual funds	559,538	605,778
	$ 571,457	$ 619,908

Investment income consists of the following:

	2018	2017
Interest and dividend income	$ 31,411	$ 22,975
Net realized and unrealized gain on investments	(64,059)	51,435
	$ (32,648)	$ 74,410

Note 9. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. The FASB established a framework for measuring fair value, established a three-level valuation hierarchy for disclosure of fair value measurement and enhanced disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The Company uses various valuation approaches, including market, income and/or cost approaches. The framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments: The fair values of investments are based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, due to the limited market activity of the instrument, fair value is based upon externally developed models that use unobservable inputs.

The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2018, and 2017. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

December 31, 2018

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 97,966	$ 97,966	$ –	$ –
U.S. large-cap value	35,518	35,518	–	–
U.S. large-cap growth	63,477	63,477	–	–
U.S. mid-cap	15,106	15,106	–	–
U.S. small-cap	20,668	20,668	–	–
International	54,479	54,479	–	–
Emerging Markets	10,596	10,596	–	–
Multi-Sector	11,672	11,672	–	–
Fixed income mutual funds:				
Short-term	107,472	107,472	–	–
High-yield	38,236	38,236	–	–
Intermediate	86,630	86,630	–	–
Real estate securities fund	17,718	17,718	–	–
Total Assets	$ 559,538	$ 559,538	$ –	$ –

December 31, 2017

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 112,638	$ 112,638	$ –	$ –
U.S. large-cap value	37,012	37,012	–	–
U.S. large-cap growth	70,870	70,870	–	–
U.S. mid-cap	18,696	18,696	–	–
U.S. small-cap	24,941	24,941	–	–
International	62,295	62,295	–	–
Emerging Markets	12,651	12,651	–	–
Multi-Sector	15,961	15,961	–	–
Fixed income mutual funds:				
Short-term	106,551	106,551	–	–
High-yield	40,378	40,378	–	–
Intermediate	85,439	85,439	–	–
Real estate securities fund	18,346	18,346	–	–
Total Assets	$ 605,778	$ 605,778	$ –	$ –

Note 10. Functional Expenses

The cost of providing the various programs have been summarized on a functional basis in the table below. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

	Equity	Public Sales	Total Program	Administrative	TOTAL
Salaries and benefits	$272,380	$122,768	$395,148	$245,280	$640,428
Field	94,399	102,736	197,135	-	197,135
Occupancy and general	7,196	7,196	14,392	57,567	71,959
Depreciation	7,219	7,219	14,438	7,438	21,876
Office supplies	26,704	8,817	35,521	76,998	112,519
Travel and auto expense	22,331	8,523	30,854	22,779	53,633
Board and annual meetings	23,532	-	23,532	23,532	47,064
Research and development	834	-	834	-	834
Net realized and unrealized loss on investments	-	-	-	64,059	64,059
	$454,595	$257,259	$711,854	$497,653	$1,209,507

Note 11. Liquidity and Availability of Resources

The Company has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. This amount consists of cash and accounts receivable as presented on the accompanying statements of financial position. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

The Company manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Company maintains financial assets on hand to meet normal operating expenses. As more fully described in Note 6, the Company also has committed lines of credit, which it could draw upon in the event of an unanticipated liquidity need

AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

LEADING INDICATORS OF JERSEY BREED GROWTH AND IMPROVEMENT

	2018	2008	1998	Change ('18 v. '98)
Identification				
Animals recorded	132,166	94,774	54,145	144.10%
Animals transferred	26,292	17,089	22,635	16.16%
Performance Programs				
Herds enrolled	1,045	1,157	780	33.97%
Cows enrolled	167,326	128,446	81,949	104.18%
Jersey Tags	550,663	128,422		
Production *(AJCA lactations, 305-day, 2x, ME)*				
Protein, true *(*reported as total protein)*	741	660	619*	--.0%
Milk	20,041	18,457	16,841	--.1%
Fat	977	847	771	--.3%
Equity Investment	$ 901,437	$ 596,697	$ 290,220	210.6%
Jersey Marketing Service				
Gross for private treaty sales	$1,476,546	$3,470,300	$ 3,369,883	-56.1%
Gross for public sales	$2,664,187	$ 5,923,912	$3,468,095	-23.18%
Combined Net Assets	$ 3,974,361	$ 2,110,737	$ 2,175,726	82.67%

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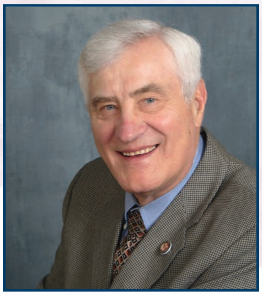

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