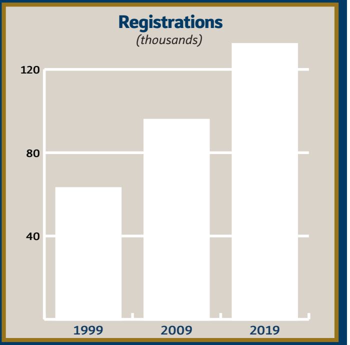


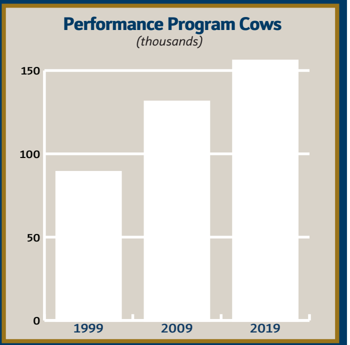


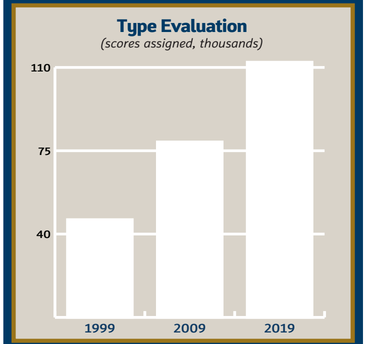
# 2019 Annual Report

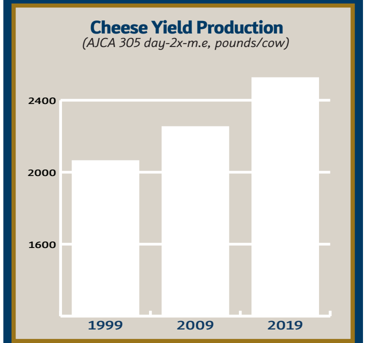
AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC. | ALL-JERSEY SALES CORPORATION


## Progress by Decade




# The Cow of the Decade.

It is my privilege and honor to present the 2019 Annual Report on behalf of the Boards of Directors of the American Jersey Cattle Association and National All-Jersey Inc.

### Genetic Data Increases Transparency and Accuracy

Jersey breeders experienced a highly impactful change in 2019—the implementation of multi-breed evaluations. It took over three years of cooperation with the Council on Dairy Cattle Breeding (CDCB) to develop this system.

This tool now allows us to differentiate breed genetics. To accomplish this, the animal's value for Breed Base Representation (BBR) is evaluated to divide it into one of two groups: single-breed (S) basis or multi-breed (M) basis. Only genomic tested animals receive these designations.

Genetic lists now have separate reports for each of the "S" and "M" categories. In the past, these bulls were all ranked on the same lists, evaluated on the same base. It is hard to give this change the credit it deserves, as it has tremendously impacted the Jersey breed. The multi-breed evaluations have put Jersey sire rankings back on an equitable playing field, as well as making an economic impact.

Jersey breeders can more easily choose what genetics to introduce into their herds, which leads to more profitable, efficient animals for the future.

2019 was another year of success when it came to genotyping data for the Jersey breed. Jersey breeders submitted samples from over 48,000 females for genotyping to CDCB in 2019. This brings the total number of genotyped Jersey females to 408,644 since 2009. As we continue to increase the data submitted and animals evaluated, we will continue to see reliabilities improve.

### The Jersey Impact

The dairy industry has seen its share of waves throughout history. During many of these times, Jersey breeders and enthusiasts saw the breed flourish and perform through difficult times. 2019 was no exception.

Achieving the second highest registration count in history was no small feat for the Jersey breed. The American Jersey Cattle Association (AJCA) registered 132,318 unique individuals for 4,708 owners during the year. This was the third year in which over 130,000 animals were recorded and eighth consecutive year over 100,000.

When evaluating the registration averages by decade, the 2010-2019 average of 120,394 registrations more than tripled the average registrations recorded during the 1970s. This showcases the strength and evidence of the profitability of the Jersey breed.

Jersey semen sales remained a good indicator of the popularity of the Jersey breed in 2019. Though domestic sales of 2.9 million saw a decrease of 8.6% last year, export sales increased by nearly 3.0%. Semen produced in the United States and exported totaled 1,325,373 units. The popularity of the Jersey breed continues to grow around the world.

I consider this quite an accomplishment for the breed and association considering the current dairy economy. For me, it is an amazing result. The hard work and dedication of Jersey enthusiasts, USJersey employees and the boards of directors has proven to be invaluable to our breed's success.

## Catalyst Program

The Registration, Equity, Appraisal and Performance (REAP) program has been a catalyst for Jersey breed growth and program enrollment over the past 25 years. REAP has protected us during these tough economic times with the offer of package discount pricing to our customers. It is important to ensure value is delivered through programs and services we provide.

In fact, during 2019 an impressive number of new REAP herds were enrolled in the program. Our field staff worked with many new customers to find value in our package pricing strategy. At year's end, 896 herds were enrolled in REAP with a total of 151,595 cows.

The type traits appraisal team continues to work hard and evaluated over 100,000 animals for the eighth consecutive year. In 2019, our team scored 112,337 animals in 983 herds in 43 states. We appreciate this team, as they are often the face of USJersey and work hard to promote, support and deliver outstanding service for the breed and association.

### 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.

## NAJ Continues to Educate and Advocate

When National All-Jersey Inc.(NAJ) began, the dairy industry was facing different challenges and times than what we now experience. In those days, more consumers were closely connected to agriculture. Most understood the farm to table process and had at least some basic knowledge of where their food came from. Now, even our country's political leaders are largely disconnected from agriculture.

Eight members of the Boards of Directors and three USJersey staff visited Capitol Hill in Washington, D.C., in February 2019. They had a specific purpose—to provide personal insight and put a face to America's dairy farmers.

They took advantage of the opportunity and spoke to Members of Congress and their staff about the importance of completing international trade agreements; passing immigration reform that works for dairy farm employers, employees and their families; and how new risk management tools like Dairy Margin Coverage (DMC) and Dairy Revenue Protection (Dairy-RP) could help stabilize the U.S. dairy economy.

The third Value-Added 101 Workshop took place April 9-11, 2019, in Brattleboro, Vt. Twenty-one participants from 18 operations in six states attended the three-day event. Attendees had the opportunity to learn from and network with industry professionals, as well as talk with and tour the facilities of fellow producers with vertically integrated businesses.

Our partnership with Purdue University on the A2 research project continues. We hope to have results in 2020.

## New Age: New *Jersey Journal*

Along with a newly formed Communications Department, 2019 was a year of change and evolution for the *Jersey Journal*. As focus shifts to digital communication, staff worked to meet these expectations. In September 2019, the redesigned website was unveiled at https://usjerseyjournal.com/.

Take a moment to visit the website, you will find it and the magazine closely align. However, there are additional stories published on the website, including but not limited to industry news, show results, sale analyses and Jersey breeder profiles. Youth also have a special 'corner' of information which will continue to be developed over time.

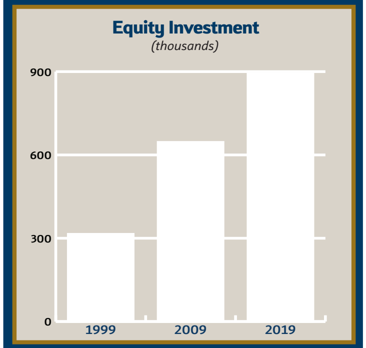
**On The Cover**

In 2019, 285,688 tags were sold to 745 customers.

This resulted in over 3,900,000 tags being sold since the inception of tag sales.

Jersey*Tags* are the perfect permanent identification tool to use on any dairy. Their customizable, easy-to-read information makes them ideal for every operation.






## 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

### National Heifer Sale Rewrites History

The lineup for the 2019 National Heifer Sale was impressive. New York Jersey Breeders and Jersey Marketing Service (JMS) staff did a phenomenal job of working with consignors to showcase the best of the breed. On a pleasant summer night in Saratoga Springs, N.Y., Wetumpka Viceroy Java-P became the all-time high selling Jersey heifer when she sold at public auction for $103,000. At the time of the sale, the young heifer consigned by Cheryl Carlson, N.Y., was the breed's highest GJPI polled heifer with a herd registry pedigree.

With the top three individuals bringing over $39,000, the sale also set a record for all-time high series average. The 35 head marketed in the sale commanded an average price of $10,308. This is something we can be very proud of as Jersey breeders.

The All American Sale was also successful, highlighting top genomic females of the breed, as well as two top pedigreed young bulls for syndication. In total, 71 different farms or individuals purchased shares in these bulls. Equally impressive, one was homozygous polled, the first offered for syndication in history.

JMS ended 2019 with gross sales totaling $4,313,052. Live animal sales at public auction averaged $1,467.58, compared to the $1,200.60 average of those sold through private treaty sales. The grand total of 3,181 live animals marketed with JMS averaged $1,346.03.

### Jersey—the Queen of Quality

The AJCA reported the average production of Jersey cows at 20,009 lbs. milk, 969 lbs. fat and 742 lbs. protein based on 100,904 completed lactations, standardized to 305 days, 2x, mature equivalent (m.e.) production. The year's cheddar cheese equivalent basis was reported at 2,520 lbs. per animal, yielding 12.59 lbs. of cheddar per hundredweight.

Breeder focus on genetic selection has changed in recent years. More emphasis is now being placed on efficiency of production. We are now breeding a cow that produces an even higher component milk, with a lower somatic cell count. More focus is being placed on health traits as well, with the goal of developing a more profitable, healthy cow that breeds back easily each lactation and has relatively few health events.

### Financially Strong 2019

Overall, for all three companies combined, financial reports delivered positive results. Total combined net income was $212,102 for the year, with a total (combined) Net Assets of $4,186,463.

We should acknowledge a boost from unrealized gains in the companies' investment portfolios. We can thank previous leadership and current members of the Investment Advisory Committee for the well-educated decisions they have made that produced these positive results.

### Jersey—the Cow for Today and Tomorrow

As the number of dairy farms continues to decline, we probably all know someone who exited the dairy industry. Sadly, this is a reality we have to come to terms with. However we all know the Jersey cow offers more of what this dairy industry needs than any other breed. I'm proud to work with Jersey breeders to continue developing and improving the Jersey cow.

I would like to thank you as Jersey breeders and enthusiasts for continuing to show your support to the Jersey and our association. As long as we continue to work together, I know the dairy industry has a positive future, and the Jersey breed even more.

Neal Smith

Executive Secretary and Chief Executive Officer

# 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 pricing in the Great Basin Federal Order. DHIR lactation average reaches 13,068 lbs. milk and 616 lbs. fat. The new

*continued on page 6*

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, NAJ among first to respond, recommending use of end-product pricing for all classes of milk. Breed averages 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). Mainstream Jace Shelly sets all-time record for lifetime protein production. 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. 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. 49,067 females genotyped with an increase of 91.68% from 2017.

2019 Second highest registration year in history with 132,318. Wetumpka Viceroy Java-P becomes the all-time high selling heifer in the breed through public auction at $103,000. Record set for series average at National Heifer Sale ($10,308). First 3,000-lb. fat record (Lyon Renegade Barb).

# AMERICAN JERSEY CATTLE ASSOCIATION

Treasurer's Report • Independent Auditors' Report

*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 loss from operations of $90,434 for the year ended December 31, 2019.

**American Jersey Cattle Association**

| | |
|---|---|
| Revenues | $3,456,697 |
| Expenditures | $ 3,537,703 |
| Net Loss from Operations (Before All American and Other Income and Expense) | $ (81,006) |

**National All-Jersey Inc. and Subsidiary**

| | |
|---|---|
| Revenues | $ 1,094,844 |
| Expenditures | $ 1,104,272 |
| Net Loss from Operations (Before Other Income and Expense) | $ (9,428) |

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

| | |
|---|---|
| Identification Services | 42% |
| Performance Services | 16% |
| Equity | 18% |
| *Jersey Journal* | 6% |
| Cattle Marketing Services | 3% |
| Other | 15% |

The organizations' marketable securities are reported at market value of $2,456,392. Due to the increase in market values compared to 2018, an unrealized gain was recorded at December 31, 2019 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 | $2,681,033 |
| National All-Jersey Inc. and Subsidiary | $1,505,430 |
| Total (combined) Net Assets | $4,186,463 |

The AJCC Research Foundation reported net assets of $2,540,287 at year-end December 31, 2019. The Research Foundation supported five (5) projects totaling $80,280. The scholarship funds administered by the AJCA awarded fourteen (14) scholarships totaling $39,250. Total combined net assets in the scholarship funds as of December 31, 2019 were $599,442. Net assets held in the Jersey Youth Academy Fund at December 31, 2019 were $520,995.

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, 2019 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, 2019 and 2018, 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, 2019 and 2018, 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.

*Emphasis of Matter*

As discussed in Note 2 to the financial statements, American Jersey Cattle Association adopted Financial Accounting Standards Board Accounting Standards Updates (ASU) No. 2016-01, *Financial Instruments – Overall (Sub- Topic 825-10)*; ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* and the related amendments in ASUs 2015-14, 201608, 2016-10, 2016-12 effective January 1, 2019. Our opinion is not modified with respect to this matter.

Tidwell Group, LLC
Columbus, Ohio
April 9, 2020

# AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

## STATEMENTS OF FINANCIAL POSITION

*December 31, 2019 and 2018*

| ASSETS | 2019 | 2018 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | **$ 119,399** | $ 214,922 |
| Investments, at fair value | **332,884** | 284,915 |
| Accounts receivable, net | **452,527** | 467,767 |
| Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation | **790,375** | 748,412 |
| Supplies and inventories | **28,913** | 31,856 |
| Prepaid expenses and other assets | **93,791** | 95,489 |
| **Total current assets** | **1,817,889** | 1,843,361 |
| **PROPERTY AND EQUIPMENT** | | |
| Land | **68,000** | 68,000 |
| Building | **494,448** | 494,448 |
| Operating equipment | **1,796,555** | 1,788,888 |
| Software development | **117,700** | 137,539 |
| | **2,476,703** | 2,488,875 |
| Less accumulated depreciation and amortization | **(2,282,900)** | **(2,236,437)** |
| **Total property and equipment, net** | **193,803** | 252,438 |
| **OTHER ASSETS** | | |
| Investments, at fair value | **1,455,837** | 1,242,669 |
| **Total other assets** | **1,455,837** | 1,242,669 |
| | **$ 3,467,529** | $ 3,338,468 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Current portion of unexpired subscriptions and directory listings | **$ 11,725** | $ 12,717 |
| Current portion of note payable | **41,380** | 80,477 |
| Accounts payable | **198,056** | 169,830 |
| Accrued expenses | **111,031** | 51,599 |
| Awards, The All American Show & Sale | **46,772** | 55,292 |
| Awards, National Jersey Jug Futurity | **11,948** | 11,099 |
| Unearned fees and remittances | **328,685** | 330,378 |
| **Total current liabilities** | **749,597** | 711,392 |
| **NONCURRENT LIABILITIES** | | |
| Unexpired subscriptions and directory listings, net of current portion | **36,899** | 42,176 |
| Note payable, net of current portion | **–** | 41,314 |
| | **36,899** | 83,490 |
| **Total liabilities** | **786,496** | 794,882 |
| **NET ASSETS** | | |
| Without donor restrictions: | | |
| Board Designated | **1,653,353** | 1,441,913 |
| Undesignated | **1,027,680** | 1,101,673 |
| **Total net assets** | **2,681,033** | 2,543,586 |
| | **$ 3,467,529** | $ 3,338,468 |

*See Notes to the Financial Statements.*

## STATEMENTS OF ACTIVITIES

*Years Ended December 31, 2019 and 2018*

| | 2019 | 2018 |
|---|---|---|
| **REVENUES** | | |
| Fees | **$ 3,017,426** | $ 3,605,744 |
| *Jersey Journal* advertising and subscriptions | **329,654** | 377,706 |
| Interest and dividend income | **68,655** | 78,837 |
| Other | **40,962** | 47,463 |
| **Total revenues** | **3,456,697** | 4,109,750 |
| **COST OF OPERATIONS** | | |
| Salaries, service, and administrative | **3,038,641** | 3,469,246 |
| *Jersey Journal* publishing | **415,624** | 447,744 |
| Depreciation and amortization | **80,149** | 95,293 |
| Interest expense | **3,289** | 6,331 |
| **Total cost of operations** | **3,537,703** | 4,018,614 |
| **(DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS** | **(81,006)** | 91,136 |
| **OTHER INCOME (EXPENSE)** | | |
| Net gain (loss) from The All American Show and Sale | **6,015** | (56,592) |
| Net realized and unrealized gain (loss) on investments | **998** | (55,967) |
| **Total other income (expense)** | **7,013** | (112,559) |
| **CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS** | **(73,993)** | (21,423) |
| **EXPENDITURES FROM DESIGNATED NET ASSETS** | | |
| Research and development | **(1,728)** | (82,667) |
| Net realized and unrealized gain (loss) on investments | **213,168** | (105,008) |
| **Total expenditures from designated net assets** | **211,440** | (187,675) |
| **CHANGES IN NET ASSETS** | **137,447** | (209,098) |
| **NET ASSETS,** beginning | **2,543,586** | 2,752,684 |
| **NET ASSETS,** ending | **$ 2,681,033** | $ 2,543,586 |

*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 January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments - Overall*. The purpose of the ASU is to improve reporting and disclosures for financial instruments. 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.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The purpose of this ASU to determine (a) whether transactions should be accounted for as contributions (non-exchange transactions) within the scope of nonprofit guidance, or as exchange transactions subject to other guidance, and (b) whether a contribution is conditional. 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.

During 2014, the FASB issued ASU 2014-09 (ASU) and other related ASUs subsequent amendments, *Revenue from Contracts with Customers*, as an update to ASC 606, Revenue. The purpose of this ASU is to improve comparability of revenue practices among industries. The Company adopted the ASUs effective January 1, 2019. The implementation of the change in revenue recognition for the ASC 606 was not significant to the financial statements.

**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 $1,455,837 and $197,516 for 2019 and $1,242,669 and $199,244 for 2018, 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 represent exchange transactions and are recognized in the period in which the services are performed and/or earned. Membership, subscription and directory listing revenues are recognized pro-rata over the one year membership as exchange transactions as the fees are refundable if the membership is cancelled prior to the one year contract.

**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 $56,000 and $60,000 as of December 31, 2019 and 2018,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 $11,576 and $20,125 was recognized for the years ended December 31, 2019 and 2018, 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 2019 or 2018.

**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 2019 or 2018 these activities include primarily magazine advertising. There was no income tax expense for 2019 or 2018 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, 2019 and 2018, 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 9. 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 $227,719 and $232,883 for 2019 and

2018, respectively, from the above-mentioned affiliated companies for these jointly incurred costs.

AJSC 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, 2019 and 2018.

**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, 2019 and 2018, 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. Subsequent to year-end, the fair value of investments decreased due to a decline in the stock market. The financial statements do not reflect the decrease in fair value that has occurred subsequent to year-end. The accompanying financial statements and the date related disclosures consider events through April 9, 2020, the date which the financial statements were available to be issued.

**Note 2. Revenue from Contracts with Customers (Members)**

Fees revenue from its members, disaggregated by type, during the years ended December 31, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Registrations | $ 259,347 | $ 267,268 |
| Herd Transfers | 137,623 | 152,286 |
| Jersey*Tags* | 560,981 | 897,418 |
| Genome Testing | 545,931 | 685,473 |
| REAP | 1,350,869 | 1,406,486 |
| Other | 162,675 | 191,038 |
| | $ 3,017,426 | $ 3,599,969 |

The following table provides information about significant changes in contract liabilities (unearned fees) for the year ended December 31, 2019:

| | |
|---|---|
| Unearned fees, beginning of year | $ 330,378 |
| Revenue recognized that was included in unearned fees at the beginning of the year | (330,378) |
| Increase in unearned fees due to cash received during the year | 328,685 |
| | $ 328,685 |

**Note 3. Expenses by Cost of Operations Classification**

The Association's operating expenses by cost of operations classification for December 31 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Herd Services | $ 1,149,834 | $ 1,568,409 |
| Information Technology | 318,912 | 333,927 |
| Performance | 650,690 | 663,441 |
| *Jersey Journal* | 415,624 | 447,744 |
| Development | 146,891 | 107,781 |
| Field | 579,251 | 598,140 |
| Accounting, administration, and general | 276,501 | 299,172 |
| Total cost of operations | $ 3,537,703 | $ 4,018,614 |

**Note 4. Lines of Credit**

At December 31, 2019 and 2018, the Association has available a $100,000 line of credit due on demand with interest payable monthly at prime (4.75% and 5.25% at 2019 and 2018, respectively). The line is collateralized by investments held by AJCA. No funds were drawn on the line as of 2019 or 2018.

At December 31, 2019 and 2018, 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, 2019 and 2018.

**Note 5. 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.

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 6. 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, 2019 and 2018 totaled $29,028 and $30,973, respectively. Future minimum lease payments for the next 5 years are approximately as follows:

| | | |
|---|---|---|
| Years Ending: | 2020 | 29,028 |
| | 2021 | 29,028 |
| | 2022 | 29,028 |
| | 2023 | 16,933 |

**Note 7. 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 2019 and 2018 amounted to $30,305 and $33,594, respectively.

**Note 8. Designation of Net Assets**

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

| | 2019 | 2018 |
|---|---|---|
| Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)* | $ 1,455,837 | $ 1,242,669 |
| Research and development - increased annually on a discretionary basis | 197,516 | 199,244 |
| | $ 1,653,353 | $ 1,441,913 |

In 2019 and 2018, there were expenditures of $1,728 and $82,667, respectively, from the research and development designated net assets. In 2019 and 2018, the Board of Directors did not authorize any appropriation from undesignated to research and development.

**Note 9. Investments**

Investments consist of the following at December 31:

| | 2019 | 2018 |
|---|---|---|
| Money market | $ 37,711 | $ 31,888 |
| Mutual funds | 1,751,010 | 1,495,696 |
| | $ 1,788,721 | $ 1,527,584 |

Total investment income consists of the following at December 31:

| | 2019 | 2018 |
|---|---|---|
| Interest and dividend income | $ 72,984 | $ 83,862 |
| Net realized and unrealized (loss) gain on investments | 227,774 | (171,237) |
| | $ 300,758 | $ (87,375) |

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.

| | 2019 | 2018 |
|---|---|---|
| Interest and dividend income | $ 4,329 | $ 5,025 |
| Net realized and unrealized (loss) on investments | 13,608 | (10,262) |
| | $ 17,937 | $ (5,237) |

**Note 10. 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, 2019 and 2018. 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, 2019**

| Asset Category | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity mutual funds: | | | | |
| U.S. large-cap core | $ 313,447 | $ 313,447 | $ – | $ – |
| U.S. large-cap value | 107,392 | 107,392 | – | – |
| U.S. large-cap growth | 133,815 | 133,815 | – | – |
| U.S. mid-cap | 17,924 | 17,924 | – | – |
| U.S. small-cap | 35,823 | 35,823 | – | – |
| International | 161,636 | 161,636 | – | – |
| Emerging Markets | 35,636 | 35,636 | – | – |
| Multi-sector | 161,196 | 161,196 | – | – |
| Fixed income mutual funds: | | | | |
| Short-term | 182,059 | 182,059 | – | – |
| High-yield | 159,714 | 159,714 | – | – |
| Intermediate | 369,975 | 369,975 | – | – |
| Real estate securities fund | 72,393 | 72,393 | | |
| Total Assets | $ 1,751,010 | $ 1,751,010 | $ – | $ – |

**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 | $ – | $ – |

## Note 11. Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the tables 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.

**December 31, 2019**

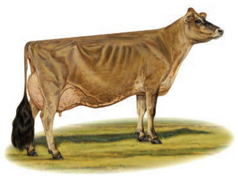
| | Herd Services | Performance | Jersey Journal | Total Program | Administrative | TOTAL |
|---|---|---|---|---|---|---|
| Salaries and benefits | $ 437,680 | $ 659,309 | $ 289,639 | $ 1,386,628 | $ 160,550 | $ 1,547,178 |
| Program services | 937,974 | 48,045 | 3,688 | 989,707 | 12,302 | 1,002,009 |
| Occupancy and general | 87,082 | 89,375 | 44,606 | 221,063 | 23,290 | 244,353 |
| Depreciation | 7,406 | 20,323 | 1,058 | 28,787 | 4,232 | 33,019 |
| Office supplies | 57,328 | 77,506 | 24,096 | 158,930 | 27,981 | 186,911 |
| Postage and printing | 25,576 | 9,615 | 102,489 | 137,680 | 2,523 | 140,203 |
| Information technology | 7,414 | 8,473 | 1,059 | 16,946 | 4,237 | 21,183 |
| Travel | 39,219 | 244,061 | 13,253 | 296,533 | 21,942 | 318,475 |
| Auto expense | 11,547 | 21,288 | 1,650 | 34,485 | 6,598 | 41,083 |
| Interest expense | 1,151 | 1,316 | 164 | 2,631 | 658 | 3,289 |
| Net income from All American Show and Sale | (6,015) | - | - | (6,015) | - | (6,015) |
| Research and development | 1,728 | - | - | 1,728 | - | 1,728 |
| Net realized and unrealized gain on investments | - | - | - | - | (214,166) | (214,166) |
| | $1 ,608,090 | $ 1,179,311 | $ 481,702 | $ 3,269,103 | $ 50,147 | $ 3,319,250 |

**December 31, 2018**

| | Herd Services | Performance | Jersey Journal | Total Program | Administrative | TOTAL |
|---|---|---|---|---|---|---|
| Salaries and benefits | $ 447,559 | $672,7995 | $ 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 income 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 gain on investments | - | - | - | - | 160,975 | 160,975 |
| | $ 2,176,327 | $1,199,048 | $ 514,697 | $ 3,890,072 | $ 428,776 | $ 4,318,848 |

## Note 12. 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 4, 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 consolidated statements of financial position, as of December 31, 2019 and 2018, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2019 and 2018, 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.

*Emphasis of Matter*

As discussed in Note 2 to the consolidated financial statements, National All-Jersey Inc. and Subsidiary adopted Financial Accounting Standards Board Accounting Standards Updates (ASU) No. 2016-01, *Financial Instruments – Overall* (Sub- Topic 825-10); ASU No. 216-18, *Statement of Cash Flows (Topic 230): Restricted Cash*; ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*; and ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* and the related amendments in ASUs 2015-14, 2016-08, 2016-10,and 2016-12 effective January 1, 2019. Our opinion is not modified with respect to this matter.

Tidwell Group, LLC
Columbus, Ohio
April 9, 2020

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
*December 31, 2019 and 2018*

| ASSETS | 2019 | 2018 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ **1,601,369** | $ 1,537,980 |
| Custodial cash | **84,111** | 11,684 |
| Investments, at fair value | **667,671** | 571,457 |
| Accounts receivable, net | **148,770** | 160,294 |
| **Total current assets** | **2,501,921** | 2,281,415 |
| **PROPERTY AND EQUIPMENT** | | |
| Land | **12,000** | 12,000 |
| Building | **87,256** | 87,256 |
| Furniture and equipment | **20,939** | 20,939 |
| Vehicles | **124,091** | 124,091 |
| | **244,286** | 244,286 |
| Less accumulated depreciation and amortization | **(223,829)** | (216,454) |
| **Total property and equipment, net** | **20,457** | 27,832 |
| | **$ 2,522,378** | $ 2,309,247 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ **6,634** | $ 4,298 |
| Advances due to American Jersey Cattle Association | **790,377** | 748,412 |
| Fees due consignors | **105,693** | 16,487 |
| Accrued expenses | **18,959** | 12,791 |
| Accrued payroll and related benefits | **16,057** | 11,888 |
| Advances and reserves for advertising | **31,828** | 31,828 |
| Deferred income | **47,400** | 52,768 |
| **Total current liabilities** | **1,016,948** | 878,472 |
| **NET ASSETS** | | |
| Without donor restrictions: | | |
| Board Designated | **390,945** | 391,809 |
| Undesignated | **1,114,485** | 1,038,966 |
| **Total net assets** | **1,505,430** | 1,430,775 |
| | **$ 2,522,378** | $ 2,309,247 |

*See Notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF ACTIVITIES

*Years Ended December 31, 2019 and 2018*

| | 2019 | 2018 |
|---|---|---|
| **REVENUES** | | |
| Equity project fees | **$ 890,815** | $ 901,437 |
| Commissions | **150,554** | 146,458 |
| Interest and dividend income | **27,066** | 31,411 |
| Other | **26,409** | 26,439 |
| **Total revenues** | **1,094,844** | 1,105,745 |
| **COST OF OPERATIONS** | | |
| Salaries, service, and administrative | **959,133** | 1,009,235 |
| Field services | **101,881** | 104,466 |
| Bad debt expense | **35,883** | 9,037 |
| Depreciation and amortization | **7,375** | 21,876 |
| **Total costs of operations** | **1,104,272** | 1,144,614 |
| **CHANGE IN NET ASSETS FROM OPERATIONS** | **(9,428)** | (38,869) |
| **OTHER INCOME (EXPENSE)** | | |
| Net realized and unrealized gain (loss) on investments | **84,947** | (64,059) |
| **Total other income (expense)** | **84,947** | (64,059) |
| **CHANGES IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS** | **75,5159** | (102,928) |
| **DECREASE FROM DESIGNATED NET ASSETS** | | |
| Research and development | **(864)** | (834) |
| **Total decrease from designated net assets** | **(864)** | (834) |
| **CHANGES IN NET ASSETS** | **74,655** | (103,762) |
| **NET ASSETS, beginning** | **1,430,775** | 1,534,537 |
| **NET ASSETS, ending** | **$1,505,430** | $ 1,430,775 |

*See Notes to the Consolidated 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.** 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 January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-01, Financial Instruments - Overall. The purpose of the ASU is to improve reporting and disclosures for financial instruments. 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.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The purpose of this ASU to determine (a) whether transactions should be accounted for as contributions (non-exchange transactions) within the scope of nonprofit guidance, or as exchange transactions subject to other guidance, and (b) whether a contribution is conditional. 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.

During 2014, the FASB issued ASU 2014-09 (ASU) and other related ASUs subsequent amendments, *Revenue from Contracts with Customers*, as an update to ASC 606, Revenue. The purpose of this ASU is to improve comparability of revenue practices among industries. The Company adopted the ASUs effective January 1, 2019. The implementation of the change in revenue recognition for the ASC 606 was not significant to the financial statements.

In 2016, the FASB issued ASU 2016-18, Statements of Cash Flows (Topic 230): Restricted Cash. The purpose of this ASU is to clarify classification of restricted cash in the Statements of Cash Flows. The Company adopted the ASU effective January 1, 2019.

**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 $390,945 and $391,809 for 2019 and 2018, 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 consolidated 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.

As described in "Adoption of New Accounting Principle", effective January 1, 2019, the Company adopted the ASU which requires the restricted cash to be included in Cash on the Statements of Cash Flows. Cash and custodial cash as of December 31, 2019 and 2018 consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $1,601,369 | $ 1,537,980 |
| Net operating loss | 84,111 | 11,684 |
| | $1,685,480 | $ 1,549,664 |

**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 earned. However, equity fees received as annual Registration, Equity, Appraisal, Performance (REAP) payments are an exchange transaction and 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 exchange transaction has been performed.

**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, 2019 and 2018. Bad debt expense of $35,883 and $9,037 was recognized for 2019 and 2018, 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 2019 and 2018 include reimbursements of $249,310 and $255,788, 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 2019 and 2018.

**Income taxes.** National All-Jersey Inc. has been recognized by the Internal Revenue Service as an organization 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, 2019 and 2018, management has determined that there are no material uncertain tax positions.

While no tax returns are currently being reviewed by the Internal Revenue Service, tax years since 2016 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 $22,056 and $4,407 for the years ended December 31, 2019 and 2018, respectively.

**Functional allocation of expenses.** The costs of providing programs and activities have been summarized on a functional basis in Note 3. Accordingly, certain costs have been allocated among the programs and activities benefited.

**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. Subsequent to year-end, the fair value of investments decreased due to a decline in the stock market. The consolidated financial statements do not reflect the decrease in fair value subsequent to year-end. The accompanying consolidated financial statements and related disclosures consider events through April 9, 2020, the date which the consolidated financial statements were available to be issued.

**Note 2. Revenue from Contracts with Customers (Members)**

Equity project fees revenue consists of the following categories for the years ended December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Equity project fee—contributions | $ 324,000 | $ 320,000 |
| Equity project fee—Registration, Equity, Appraisal Performance (REAP) | 566,815 | 581,437 |
| | $ 890,815 | $ 901,437 |

The following table provides information about significant changes in contract liabilities (deferred income) for the year ended December 31, 2019:

| | |
|---|---|
| Deferred income, beginning of year | $ 52,768 |
| Revenue recognized that was included in deferred income at the beginning of the year | (52,768) |
| Increase due to cash received during the year | 47,400 |
| Deferred income, end of year | $ 47,400 |

**Note 3. Expenses by Cost of Operations Classification**

The Company's operating expenses by cost of operations for December 31 are as follows:

| | 2019 | 2018 |
|---|---|---|
| National All-Jersey Equity program | $ 556,980 | $ 582,965 |
| Accounting, administration, general and field service | 258,615 | 269,372 |
| All-Jersey Sales (JMS) | 288,677 | 292,277 |
| Total cost of operations | $1,104,272 | $ 1,144,614 |

**Note 4. Advances and Reserves for Advertising**

| | 2019 | 2018 |
|---|---|---|
| 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 5. Designation of Net Assets**

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

| | 2019 | 2018 |
|---|---|---|
| Research and development: In 2019 and 2018, there were expenditures of $864 and $834, respectively, from research and development designated net assets. | $ 390,945 | $ 391,809 |

**Note 6. 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 | 2019 | 2018 |
|---|---|---|
| Provision for doubtful accounts | $ 2,600 | $ 2,600 |
| Net operating loss | 149,000 | 132,300 |
| Gross deferred tax assets | 151,600 | 134,900 |
| Less valuation allowance | (151,600) | (134,900) |
| Net deferred tax assets | $ – | $ – |

For the year ended December 31, 2019, 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, 2019, 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 7. Lines of Credit**

At December 31, 2019 and 2018, the Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime (4.75% and 5.25% at December 31, 2019 and 2018, 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, 2019 and 2018.

**Note 8. 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 2019 and 2018 amounted to $9,709 and $6,360, respectively.

**Note 9. Investments**

Investments consisted of the following at December 31:

| | 2019 | 2018 |
|---|---|---|
| Money market | $ 14,087 | $ 11,919 |
| Mutual funds | 653,584 | 559,538 |
| | $ 667,671 | $ 571,457 |

Investment income consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Interest and dividend income | $ 27,066 | $ 31,411 |
| Net realized and unrealized gain on investments | 84,947 | (64,059) |
| | $ 112,013 | $ (32,648) |

**Note 10. 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, 2019, and 2018. 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, 2019 | | | | |
|---|---|---|---|---|
| Asset Category | Total | Level 1 | Level 2 | Level 3 |
| Equity mutual funds: | | | | |
| U.S. large-cap core | $ 102,083 | $ 102,083 | $ — | $ — |
| U.S. large-cap value | 40,081 | 40,081 | — | — |
| U.S. large-cap growth | 49,978 | 49,978 | — | — |
| U.S. mid-cap | 6,689 | 6,689 | — | — |
| U.S. small-cap | 13,371 | 13,371 | — | — |
| International | 60,332 | 60,332 | — | — |
| Emerging Markets | 13,302 | 13,302 | — | — |
| Multi-Sector | 60,138 | 60,138 | — | — |
| Fixed income mutual funds: | | | | |
| Short-term | 92,146 | 92,146 | — | — |
| High-yield | 21,896 | 21,896 | — | — |
| Intermediate | 166,541 | 166,541 | — | — |
| Real estate securities fund | 27,027 | 27,027 | — | — |
| Total Assets | $ 653,584 | $ 653,584 | $ — | $ — |

| 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 | $ — | $ — |

**Note 11. 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.

| December 31, 2019 | | | | | |
|---|---|---|---|---|---|
| | Equity | Public Sales | Total Program | Administrative | TOTAL |
| Salaries and benefits | $262,975 | $106,031 | $369,006 | $236,904 | $605,910 |
| Field | 91,348 | 125,278 | 216,626 | - | 216,626 |
| Occupancy and general | 6,763 | 6,763 | 13,526 | 54,103 | 67,629 |
| Depreciation | 2,434 | 2,434 | 4,868 | 2,508 | 7,376 |
| Office supplies | 33,197 | 5,682 | 38,879 | 83,756 | 122,635 |
| Travel and auto expense | 16,545 | 8,315 | 24,860 | 16,982 | 41,842 |
| Board and annual meetings | 21,127 | - | 21,127 | 21,127 | 42,254 |
| Research and development | 864 | - | 864 | - | 864 |
| Net realized and unrealized gain on investments | - | - | - | (84,947) | (84,947) |
| | $435,253 | $254,503 | $689,756 | $330,433 | $1,020,189 |

| December 31, 2018 | | | | | |
|---|---|---|---|---|---|
| | 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 12. 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 7, 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

| | 2019 | 2009 | 1999 | Change *('19 v. '99)* |
|---|---|---|---|---|
| Identification | | | | |
| Animals recorded | 132,318 | 95,557 | 62,812 | 110.66% |
| Animals transferred | 19,850 | 16,047 | 22,643 | (12.33%) |
| Performance Programs | | | | |
| Herds enrolled | 1,006 | 1,064 | 858 | 17.25% |
| Cows enrolled | 155,719 | 131,102 | 88,928 | 75.11% |
| Jersey Tags | 285,688 | 145,963 | | |
| Production *(AJCA lactations, 305-day, 2x, ME)* | | | | |
| Protein, true *(*reported as total protein)* | 742 | 666 | 633* | 17.22% |
| Milk | 20,009 | 18,498 | 16,088 | 24.37% |
| Fat | 969 | 859 | 776 | 24.87% |
| Equity Investment | $ 890,815 | $ 644,571 | $ 314,227 | 183.49% |
| Jersey Marketing Service | | | | |
| Gross for private treaty sales | $1,754,966 | $2,360,270 | $ 3,333,933 | -47.36% |
| Gross for public sales | $2,558,086 | $4,574,295 | $ 5,506,341 | -53.54% |
| Combined Net Assets | $4,186,463 | $2,468,508 | $ 2,175,407 | 92.45% |

### American Jersey Cattle Association Board of Directors

**Jonathan Merriam**
President

Jonathan Merriam
President
Hickman, California

Alan Chittenden
Vice President
Schodack Landing, New York

Joel Albright
Willard, Ohio

John G. Boer
Dalhart, Texas

Karen Bohnert
East Moline, Illinois

Tyler Boyd
Hilmar, California

Mark O. Gardner
Dayton, Pennsylvania

Garry Hansen
Mulino, Oregon

Edward F. Kirchdoerfer
Cape Girardeau, Missouri

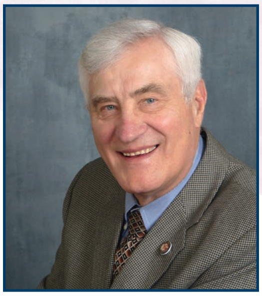
Kelvin D. Moss
Litchfield Park, Arizona

Donna Phillips
Newton, Wisconsin

Sheldon "Tom" Sawyer, Jr.
Walpole, New Hampshire

Bradley Taylor
Booneville, Mississippi

### National All-Jersey Inc. Board of Directors



**John Kokoski**
President

John Kokoski
President
Hadley, Massachusetts

James S. Huffard III
Vice President
Crockett, Virginia

Jason L. Cast
Beaver Crossing, Nebraska

Calvin Graber
Parker, South Dakota

Rogelio "Roger" Herrera
Hilmar, California

Edward F. Kirchdoerfer, *ex officio*

John Marcoot
Greenville, Illinois

Jonathan Merriam, *ex officio*

Walter Owens
Frederic, Wisconsin

Sheldon "Tom" Sawyer, Jr., *ex officio*

Veronica L. Steer
Cottage Grove, Tennessee

6486 E. Main Street, Reynoldsburg, Ohio 43068-2362 U.S.A.
614/861-3636 Phone   614/861-8040 Fax   www.USJersey.com