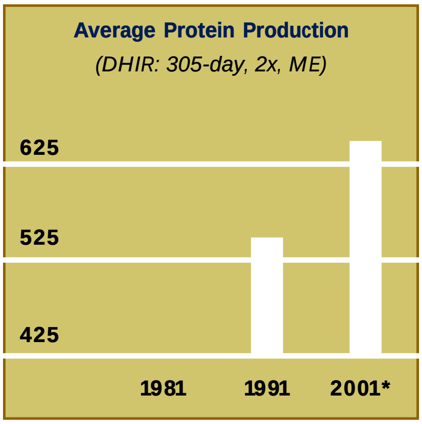
American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation

Annual Report 2001

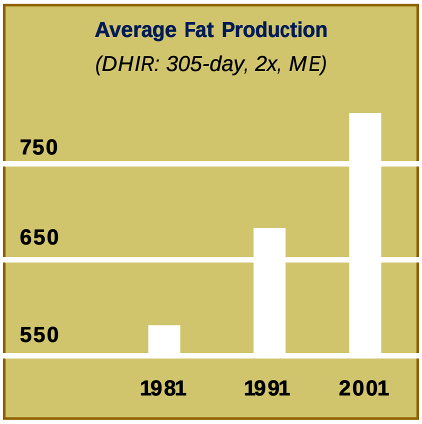
What were once the genetics of choice for a few, are now the genetics of profit for many.

The most profitable genetics for the dairy industry today come from Registered Jerseys. More than ever before in the modern era, producers are finding ways to put Jersey genetics to work in their dairy businesses—through wholesale herd conversions, or by adding strings of Jerseys within commercial herds, and by pulling straws of Registered Jersey bull semen out of the tank to breed cows and heifers.

There are as many reasons as there are operations, but in the end, there's only one reason. Jerseys are the most profitable breed in the dairy industry.



* Measured as true protein



The standards for performance continued to be raised in 2001.

In a year when milk production per cow declined nationwide, Jersey production increased. New records were established for milk and fat yield: 17,720 lbs. milk and 808 lbs. fat (305-day, 2x mature equivalent). Protein production, reported for the first time as true protein, averaged 634 lbs. These averages were calculated from 57,027 records with a data collection rating (DCR) of at least 90, completed by cows recorded in the AJCA Herd Register, or having PR or GR status through the Genetic Recovery program.

Setting the new records for herd averages was Keith S. Hockett, Randleman, N.C., with 43 lactations averaging 26,917 lbs. milk and 1,281 lbs. fat. The top herd for protein in 2001, though not a record-setter, was that of Raycene Crews, Star, Idaho, averaging 949 lbs. protein on 51 records.

The title of U.S. National and World Milk and Protein Champion passed in 2001 to Normandell Khan Ariel, owned by Norse Star Jerseys LLC, Westby, Wis. On her third lactation, starting at 4 years, 3 months of age, she produced 43,023 lbs. milk and 1,529 lbs. protein. In addition, her record ranks ninth for fat production (1,914 lbs.) on the list of all-time U.S. Jersey production leaders. "Ariel" also leads the AJCA's new National Class Leader rankings for cheese yield at 4,970 lbs. She was the winner of the 2001 President's Trophy.

The yield of cheese per hundredweight increased.

On a cheese yield basis, the breed average is now 2,115 lbs. The average yield of Cheddar cheese increased to 12.35 lbs. per hundredweight (cwt.), leading the closest competing breed by 0.67 lb./cwt. and the majority breed by 2.35 lbs./cwt. Excess fat dropped for the first time to 0.

2001 was a year of historic resurgence in demand for Registered Jerseys in the marketplace.

For just the fifth time in recorded history, more than 5,000 Registered Jerseys were sold at public auction. A total of 5,198 lots went through 59 sales, setting a single-year record for receipts of $9,057,005. The overall average was $1,742.40, the second high in history. The All American Jersey Sale on November 4 was the top sale of 2001, averaging $6,303.08 on 65 head—the third best in its 48-year history. The Cedarcrest Sale II on April 24 averaged

$2,520.00, and became the highest averaging single-herd production sale of 50 or more animals in history.

The market for Jersey semen grows, and grows, and grows.

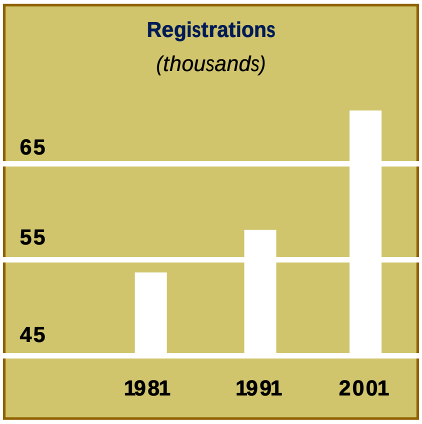
The National Association of Animal Breeders reported that 829,754 units of Jersey semen were sold in the domestic market during 2001, an increase of 7.6% over the previous year and a new sales record. It was the third time in the past four years that semen sales inside the United States have increased by more than 50,000 units during the year.

2001 also brought a resurgence in the export market with sales of 507,148 units, up by 15.98% over 2000 and approaching the record years of 1997 and 1998.

46.5% of registration work submitted in 2001 was received electronically, primarily through the 24/7 customer service website at infoJersey.com.

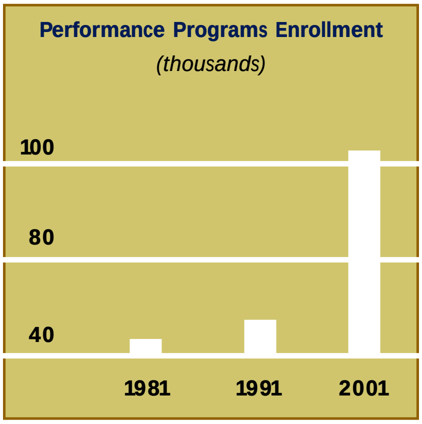
At the American Jersey Cattle Association, growth was sustained in registration and performance programs.

The American Jersey Cattle Association recorded 67,727 animals on its database during 2001, an increase of 6.2% over the previous year. Recordings from the Genetic Recovery and Jersey Expansion programs increased 51.1%, for a combined total of 9,029 animals. It was the best year of registrations since 1958, and the third consecutive year that the Association has recorded at least 60,000 animals. That level has not been sustained since 1953, 1954, and 1955. Nearly half of registration applications—46.5% to be exact—were submitted directly by breeders through the *infoJersey* Internet system and other electronic means, resulting in cost savings for both the customer and the Association. Finally, 21,663 ownership transfers were recorded, an increase of 4.7% from 2000.



At year end, 101,607 cows in 879 herds were enrolled on AJCA production and type appraisal services. This was a 10.8% increase over 2000 participation levels, and once again set a new record for total cows on performance programs. The number of cows evaluated under the linear type traits appraisal program increased again, by a healthy 6.6%, to 55,411.

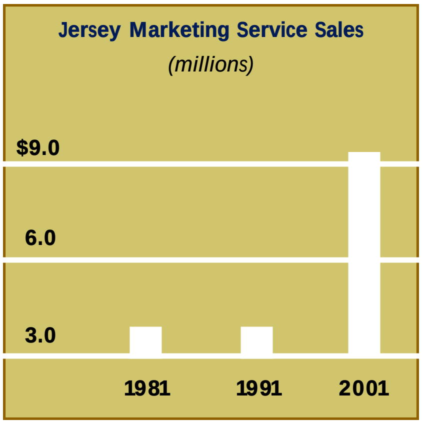
REAP—the bundle of core services including registration, performance evaluation programs, and Equity participation—continued to deliver cost-effective service to Jersey owners, regardless of their herd size. A mid-year campaign resulted in increased enrollments to 579 herds (+6.6% over 2000) with 95,664 cows (+14.3%). REAP demographics are as follows: herds of 100 or fewer cows, 63.6% with 18.4% of all cows enrolled; herds of 101 to 300 cows, 24.0% with 24.9% of enrolled cows; herds of 301 to 500 cows, 5.9% with 12.9% of enrolled cows; herds of 501 to 1,000 cows, 3.8% with 16.1% of enrolled cows; and over 1,000 cows, 2.6% of herds enrolled with 26.5% of enrolled cows.



2001 was a period for continued improvement of basic services and the introduction of new, value-added services. Highlight of the year was the introduction of JerseyMate™ after the February, 2001 genetic evaluations. The program continues in development in response to feedback from breeders.

In its 48th year of publication, the *Jersey Journal* reached 3,242 subscribers in 2001, a slight decline from its circulation in 2000. Advertising exceeded 525 pages for the third consecutive year, a level not sustained since 1991. The issue commemorating Mason Boomer Sooner Berretta drew ads from 161 different breeders. The largest issue of the year, in October, included 74.4 pages of ads from 178 breeders.

The AJCC Research Foundation, a permanent trust operated exclusively to promote and sponsor scientific research, appropriated $44,975 for 10 projects in 2001. Study areas included linear type evaluation, evaluating the outcomes of using Jersey sires on Holstein cows, the relationship of clinical mastitis to reproduction, optimizing protein yield through application of the 2001 NRC ration model, inbreeding effects, and calf raising. Foundation net assets at the end of 2001 were $860,006.



Jersey Marketing Service recorded its second straight $9 million year, building from record receipts at auction sales.

Jersey Marketing Service (JMS), a wholly owned subsidiary of National All-Jersey Inc., marketed 5,945 animals in 2001 with a value of $9,313,047. The company set a new record for receipts from auction sales: $7,294,115 in 32 sales offering 4,379 lots.

As a tool for marketing Registered Jerseys, the silent auction came into its own during 2001. A total of 682 animals were sold in 10 JMS silent auctions—five of them herd dispersals or reduction sales—for receipts of $1,140,175 and an overall average of $1,671.81. The highest average was obtained in the Top of the World Silent Auction on October 5, which averaged $2,847.06 on 34 lots.

JMS also handled private treaty transactions of 1,491 animals from 81 sellers to 45 buyers in 18 states. In the buyer's column, the top states were California (433 head), Oregon (162 head), New York (152 head), and Texas (122 head).

National All-Jersey Inc. continued to track the growth of MCP programs, which have yielded positive results as well as big challenges.

The environment for multiple component pricing (MCP) has changed dramatically—and positively—in the two years since the majority of Federal Milk Marketing Order (FMMO) milk supply was converted to multiple component pricing.

Over 90% of the U.S. milk supply is eligible for payment on MCP, and 84% of Federal Order milk supply is priced based on fat, protein and other solids values derived from product yield formulas. In unregulated markets, such as parts of Idaho, manufacturing plants no longer question the need to pay on a protein basis. In all regulated markets not using MCP, either cheese yield or protein pricing is available from any cheese plant buying milk directly from producers. Some cooperatives also offer protein premiums in these fat-skim markets as well.

Today, Jersey herd owners need selection tools that maximize profitability while also dealing with the problem of a narrowing genetic base. The AJCC Research Foundation provided funds in 1999 to develop methods for controlling inbreeding by using computerized mating programs. The findings were used to develop JerseyMate™, introduced in 2001.

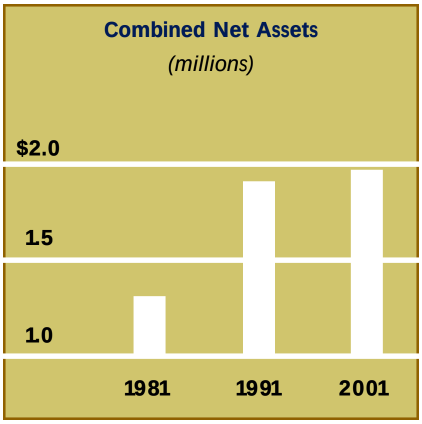
As predicted, there have been challenges to the current MCP system. 2001 began with the staff of National All-Jersey Inc. analyzing a Federal Milk Marketing Order Program tentative final rule that would have changed the way USDA prices Class III (cheese) and producer milk components.

For the first time ever, cheese plants would have been required to pay more for milk components than what the producer would be paid. There were significant incentives for cheese plants to buy their fat needs from sources other than producer milk. The result was a potential for a large drop in demand for high-solids milk from cheese plants, lower premiums for Jersey milk, and lower prices for all Federal Order producers, regardless of the composition of their milk.

In short, these proposed changes not only would negatively impact Jersey producers, but they also were dangerous for the industry as a whole.

Though others were quoted by the press as being reasonably satisfied with USDA's tentative rules, NAJ was unwilling to endorse them. Our staff worked hard to get the information necessary to evaluate the changes USDA had made, even though it was not readily available.

After determining that USDA's changes were not in the best interest of either Jersey breeders or the entire industry, National All-Jersey held a national industry meeting to discuss the problem and develop ways to correct the situation. As a result, NAJ had nearly 80 organizations endorsing our unified comments on USDA's decision. We also assisted a group of cooperatives in a legal action to discard the changes.



These efforts were effective. NAJ's efforts focused industry support behind a single, unified set of comments. These unified comments told USDA, the courts, and the rest of the dairy industry that the changes were unacceptable and had to be corrected. The courts accepted the argument, threw out the changes to Class III and producer butterfat and protein prices put forth by USDA, and told it to re-evaluate its decision.

"The decision was met with relief by many dairy executives," the *Cheese Market News* reported on February 2. "In an industry where lack of unity is commonplace, the industry has quickly found common ground in agreeing that two butterfat prices cause a lot of problems. It's an issue that industry members agree on whether they are producers or processors—even though it would have lowered processors' Class I costs—because the two butterfat prices create disorderly marketing conditions . . ."

National All-Jersey Inc. has evolved into the national advocate for component, or yield-based milk pricing, and a resource on component-relevant issues.

The national leadership role played by NAJ in responding to the Class III changes shows the kind of respect that the dairy industry has for our organization. It showed those who had not worked directly with NAJ before, the capabilities of our organization. It also drew positive comment from the press, most prominently in the *Cheese Market News* and *Hoard's Dairyman*.

The staff continues to follow developments in changes to the Class III, Class IV, and MCP portions of the Federal Order reform rules, providing technical information and participation in educational efforts regarding FMMO reform and the proposed MCP provisions. We continue to assist our allies on Federal Order reform, especially with economic analysis. We also continue to seek ways to integrate NAJ positions with industry positions on core issues such as MCP and solids standards for fluid milk.

We cannot take our many gains in the milk market for granted.

Our goal has always been to help our members by ensuring them a fair price for their high-solids milk. We have had great success. But NAJ must be always ready to defend the value of Jersey milk when needed and to continue to search for new and better markets for our members' milk.

Those activities, plus continuing efforts to improve voluntary MCP programs, are possible only because of Equity dollars. 2001 was the twenty-fifth year of Project Equity, and the 171 Charter Investors in what would become a history-making endeavor were honored at the 133rd Annual Meeting in Green Bay, Wis. Over $4.5 million has been contributed by Equity's supporters to work for fair and equitable milk pricing since 1976. At year's end, there were 739 Equity investors.

Operations of the Jersey organizations showed a positive income.

For 2001, the AJCA and NAJ had combined net income of $50,099 for the year ended December 31, 2000 before net realized and unrealized loss on investments, and net loss on the All American Show and Sale. The balance sheet of the organizations is strong with combined net assets of $1,950,128.

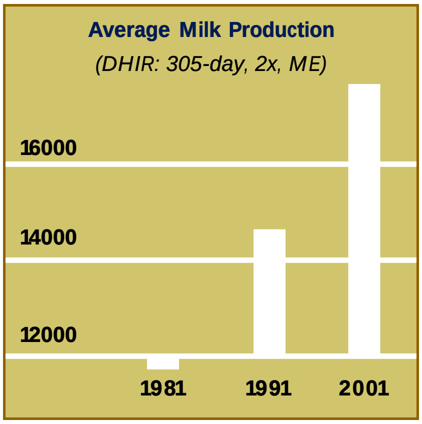
The Cover

Scenes from Jersey dairies in California, site of the 134th Annual Meetings of the American Jersey Cattle Association and National All-Jersey Inc. Clockwise from top: A rotary parlor in operation at Jim Ahlem Dairy, Hilmar; milking time at Horizon Dairy, the largest REAP herd with 4,000 cows, at Tipton; and AJCA Master Breeder Duane Wickstrom and his wife, Pat, also from Hilmar.

Projections: How far can we go?

We all know the dairy business is changing, very rapidly. If we intend to stay ahead of the curve—on the cutting edge—we must take advantage of all opportunities to:

- Increase profitable milk production;
- Increase the value of and demand for Jersey milk; and
- Increase the value of and demand for Jersey cattle.



"How far we can go" may be the most important challenge of the new era. From the peak of 27.8 million dairy cows in 1945, there are now just 9.12 million cows producing milk in the U.S. From literally hundreds of thousands of farms selling milk 55 years ago, today there are just 76,000 licensed shippers and 42% of the herds in operation a decade ago are now out of business.

Is it possible for the Jersey breed to grow under such conditions? We are convinced that the answer is "Yes." First, we have the right cow for the industry. She has always produced the best milk and she has always been the most efficient. The recent decline in milk prices only makes the efficiency of the Jersey cow even more valuable.

Second, we continue to breed a competitive producer. Based upon trends of the most recent 10 years (1992 through 2001), Jersey production in 2010 is projected to be 20,585 lbs. milk, 924 lbs. fat and 730 lbs. protein—or 2,490 lbs. Cheddar cheese.

Third, the demand for Jersey semen is coming from commercial dairy operators. Forecasts based upon NAAB semen sales in the U.S. since 1990 suggest that within three years, sales could exceed 1.1 million units annually.

Three-year forecasts in other areas of our Association's business are equally exciting, if we can continue the pace of the past decade. Registrations could surpass 80,000 per year. Cows on performance programs could cross the 125,000 mark.

The long-term challenge is to address our core goals and remain competitive.

Now, more than ever, the Jersey organizations are focused upon identifying your needs and finding ways to provide cost effective, user friendly services. "Cost effective" means, will it help you make more money? "User friendly" means, will it make it easier for you to identify your animals and to use AJCA and NAJ services?

So, back to the question, "How far can we go?" The answer is, "As far as we want to." Cheese consumption is projected to increase by 14% in total pounds over the next five years, and there surely will be more demand for Jersey cows and Jersey semen. If collectively we focus on keeping the Jersey cow competitive, she will continue to be attractive to the commercial producer. The market share for Jersey genetics will increase.

"As far as we can go" may be beyond anything we have ever seen, beyond anything that has ever been recorded, beyond anything that might ever have been imagined. We look forward to working with you as we go forward.

Executive Secretary and Chief Executive Officer

Neal Smith
Executive Secretary and
Chief Executive Officer

Management Team

Accounting
Vickie J. White

Communication
Cherie L. Bayer, Ph.D.

Herd Services
Erick Metzger

Jersey Marketing Service
Herby D. Lutz

National All-Jersey Inc.
Michael Brown

Research and Genetic Development
Cari W. Wolfe

Leading Indicators of Jersey Breed Growth and Improvement

	2001	1991	1981	Change ('01 v. '81)
Identification				
Animals recorded	67,727	57,627	53,981	+ 25.5%
Animals transfered	21,663	23,386	24,771	- 12.5%
Performance Programs				
Herds enrolled	879	797	682	+ 28.9%
Cows enrolled	101,607	54,592	44,788	+126.9%
Production (DHIR: 305-day, 2x, ME)				
Protein *(*true protein)*	634*	542	—	
Milk	17,720	14,544	11,862	+ 49.4%
Fat	808	680	567	+ 42.5%
Equity Investment	$337,194	$189,130	$112,518	+199.7%
Jersey Marketing Service				
Gross for private treaty sales	$2,049,532	$ 993,278	$1,617,330	+ 26.7%
Gross for public sales	7,263,515	2,419,749	1,906,870	+280.9%
Combined Net Assets	$1,950,128	$1,903,739	$1,337,025	+ 45.9%

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

The American Jersey Cattle Association (AJCA), National All-Jersey Inc. (NAJ), and its subsidiary, All-Jersey Sales Corporation (AJSC), reported a combined net income of $50,099 for the year ended December 31, 2001 before net realized and unrealized loss on investments and net loss from the All American Show and Sale.

Revenues and cost of operations for each company for the year ended December 31, 2001 are summarized as follows:

American Jersey Cattle Association

Revenues	$2,118,638
Expenditures	2,108,268
Increase in Net Assets Before All American and Net Realized and Unrealized Loss on Investments	$ 10,370

National All-Jersey Inc. and Subsidiary

Revenues	$ 914,170
Expenditures	874,441
Increase in Net Assets Before Net Realized and Unrealized Loss on Investments	$ 39,729

All three companies recognized strong participation in services. Combined revenues are as follows:

Identification Services	35%
Performance Services	17%
Cattle Marketing Services	17%
Jersey Journal	14%
Equity	11%
Investment Income	2%
Other	4%

The organizations' marketable securities are reported at market value of $1,493,484. The AJCA and NAJ & Subsidiary are required by Accounting Standards to report marketable securities at market value. An unrealized loss was recorded at year-end December 31, 2001 to reflect the variance in cost versus fair market value of the companies' investments.

The companies continue to maintain financial soundness as reported in their net assets at year-end.

American Jersey Cattle Association	$1,319,127
National All-Jersey Inc. and Subsidiary	631,001
Total Net Assets	$1,950,128

(continued next column)

The AJCC Research Foundation reported net assets of $860,006 at year-end December 31, 2001. The Research Foundation funded 10 projects totaling $44,975 in 2001. In addition, the six scholarship funds administered by the AJCA presented nine scholarships for a total of $6,900 to Jersey youth. Total combined net assets in the scholarship funds at the end of 2001 were $149,635.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accountants, Hausser + Taylor LLP. These statements clearly state the financial position of the companies at December 31, 2001.

Respectfully submitted,

Vickie J. White

Vickie J. White
Treasurer

To the Board of Directors
American Jersey Cattle Association

Independent Auditors' Report

We have audited the accompanying statements of financial position of American Jersey Cattle Association as of December 31, 2001 and 2000, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2001 and 2000, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hausser + Taylor LLP
Columbus, Ohio
February 22, 2002

STATEMENTS OF FINANCIAL POSITION

December 31, 2001 and 2000

ASSETS	2001	2000
CURRENT ASSETS		
Cash and cash equivalents	$ 1,500	$ 1,500
Investments (Note 9)	194,359	220,490
Accounts receivable, net of allowance for doubtful accounts of $51,000 and $46,000, respectively	209,794	177,157
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	126,999	46,811
Supplies and inventories, at cost	14,128	15,022
Prepaid expenses and other assets	53,604	53,732
Total current assets	600,384	514,712
PROPERTY AND EQUIPMENT, AT COST (Notes 7 and 8)		
Land	68,000	68,000
Building	429,060	429,060
Operating equipment	1,213,561	1,192,056
Software development	504,568	504,568
	2,215,189	2,193,684
Less accumulated depreciation	1,390,686	1,306,417
	824,503	887,267
OTHER ASSETS		
Investments:		
Building fund (Notes 6, 7 and 9)	829,339	955,579
Deferred compensation plan (Note 3)	—	2,935
Deferred costs, net of accumulated amortization of $32,174 and $104,865, respectively	8,043	33,408
Total other assets	837,382	991,922
	$2,262,269	$2,393,901

LIABILITIES AND NET ASSETS	2001	2000
CURRENT LIABILITIES		
Current portion of long-term debt (Note 7)	$51,346	$51,346
Current portion of unexpired subscriptions and directory listings	25,023	25,504
Current portion of deferred compensation plan (Note 3)	9,866	9,155
Accounts payable	23,299	59,195
Accrued expenses	31,628	37,739
Awards, All American Show and Sale	39,589	35,989
Awards, Jersey Jug	11,003	10,017
Unearned fees and remittances	275,780	184,400
Accrued pension obligation (Note 4)	160,401	151,903
Total current liabilities	627,935	565,248
NONCURRENT LIABILITIES		
Long-term debt (Note 7)	323,807	375,153
Unexpired subscriptions and directory listings	62,557	63,761
Deferred compensation plan (Note 3)	15,078	19,932
	401,442	458,846
Less current portion	86,235	86,005
	315,207	372,841
Total liabilities	943,142	938,089
NET ASSETS		
Unrestricted:		
Designated (Note 6)	906,722	1,034,962
Undesignated	412,405	420,850
Total net assets	1,319,127	1,455,812
	$2,262,269	$2,393,901

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2001 and 2000

	2001	2000
REVENUES		
Fees	$1,642,764	$1,579,146
Jersey Journal advertising and subscriptions	425,267	429,640
Interest and dividend income	28,265	40,942
Other	22,342	18,697
Total revenues	2,118,638	2,068,425
COST OF OPERATIONS (Note 2)		
Salaries, service, and administrative	1,589,133	1,522,874
Jersey Journal publishing	359,291	397,449
Depreciation	128,347	110,728
Interest expense	29,497	34,775
Total cost of operations	2,106,268	2,065,826
INCREASE IN NET ASSETS FROM OPERATIONS	12,370	2,599
OTHER EXPENSE		
Net loss from All American Show and Sale	7,985	5,006
Net realized and unrealized loss	139,070	79,341
Total other expense	147,055	84,347
DECREASE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	(134,685)	(81,748)
EXPENDITURES FROM DESIGNATED NET ASSETS (Note 6)		
Research and development	2,000	—
Total expenditures from designated net assets	2,000	—
DECREASE IN NET ASSETS	(136,685)	(81,748)
NET ASSETS—Beginning of year	1,455,812	1,537,560
NET ASSETS—End of year	$1,319,127	$1,455,812

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

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

Note 1. Significant Accounting Policies

A. Organization and Purpose. In 1868, The American Jersey Cattle Club was organized. The American Jersey Cattle Club was incorporated under a charter granted by 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.

B. Basis of Accounting. The accrual basis of accounting has been used in the preparation of the financial statements. Revenues for services provided to members are recognized in the period in which the services are performed. Subscription and directory listing revenues are recognized in the period earned.

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

D. Property and Equipment. 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	31 1/2 years
Operating equipment	3 –10 years
Software development	15 years

Software development represents costs incurred as part of the Member Services Processing System (MSPS).

E. 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 Statement of Activities and Changes in Net Assets of AJCA are net of reimbursements of $83,236 and $77,280 for 2001 and 2000, respectively, from the above-mentioned affiliated companies for these jointly incurred costs. Also, AJSC has available a $175,000, due on demand, line of credit which is collateralized by investments held by AJCA. No funds were drawn on the line as of December 31, 2001 or 2000.

F. 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 2001 and 2000 these activities include primarily magazine advertising. Costs associated with this activity are in excess of revenues.

G. Concentration of Credit Risk. The Association maintains its demand deposits in a financial institution which is insured by the Federal Deposit Insurance Corporation up to $100,000. Cash equivalents and investments are maintained in trust accounts with a trust company. Additionally, AJCA's trade receivables result from registrations and related fees due from members who are located throughout the United States.

H. Deferred Costs. The Association has capitalized certain costs, amounting to $138,273, associated with the development of a long term strategic information system plan and a business re-engineering project. These costs are being amortized over a five year period utilizing the straight-line method. Amortization expense amounted to $25,365 and $27,654 in 2001 and 2000, respectively.

I. Use of Estimates - The preparation of financial statements in conformity 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.

J. Investments. The Association utilizes Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets. See Note 9 for further discussion with respect to investments.

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

Note 2. Functional Expenses

The Association's operating expenses by functional classification for 2001 and 2000 are as follows:

	2001	2000
Records	$341,595	$ 353,616
Data Processing	261,085	267,290
Performance	375,693	379,137
Jersey Journal	359,291	397,449
Information	89,863	105,454
Field	343,511	268,581
Accounting, Administration, and General	335,230	294,299
Total cost of operations	$2,106,268	$2,065,826

Note 3. Investments Restricted for Deferred Compensation

AJCA has entered into a deferred compensation plan with a former executive. An investment trust has been established to fund the plan. At December 31, 2001 and 2000, the balances in the trust, at fair market value, are $0 and $2,935, respectively. The cost of the plan is shared by National All-Jersey Inc. and American Jersey Cattle Association.

Note 4. Pension Plans

AJCA and National All-Jersey Inc. and Subsidiary have a non-contributory defined benefit pension plan covering substantially all employees 21 years of age or older, who have been employed for one year with at least 1,000 hours of service. AJCA's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits payable to plan participants. The plan assets are stated at fair value and primarily consist of bond and stock funds. At December 31, 2001, the pension administrator reported a requirement for an accrued pension liability of $197,504 and as a result, AJCA and NAJ and Subsidiary have adjusted their financial statements at December 31, 2001, to reflect this liability resulting in pension expense of $37,192 for 2001. In 2000, the entities recorded pension expense of $28,442. AJCA's portion of pension expense amounted to $29,411 and $22,492, respectively for 2001 and 2000, which includes amortization of past service costs over 30 years.

The projected status of accumulated plan benefits for the combined entities as of December 31, 2001 and 2000, is as follows:

Net periodic pension cost for 2001 and 2000, includes the following components:

	2001	2000
Service cost - benefits earned during the period	$66,603	$ 65,162
Interest cost on projected benefit obligation	76,038	77,007
Expected return on assets	(97,035)	(102,826)
Net amortization and deferral	(8,414)	(10,901)
Net periodic pension cost for the plan	37,192	28,442
Less net periodic pension cost of NAJ and Subsidiary	(7,781)	(5,950)
Net periodic pension cost	$29,411	$ 22,492

Assumptions used in the accounting as of December 31, 2001 and 2000 were:

	2001	2000
Discount rate	7.50%	7.50%
Rate of increase in compensation levels	5.50%	5.50%
Long-term rate of return	9.00%	9.00%

The following table sets forth the plan's funded status and amounts recognized in AJCA's Statement of Financial Position at December 31, 2001 and 2000 for its pension plan.

	2001	2000
Actuarial present value of benefit obligation:		
Vested benefit obligation	$913,030	$ 878,918
Accumulated benefit obligation	$955,470	$ 921,083
Projected benefit obligation	$1,156,486	$1,168,932
Plan assets at fair value	(1,175,200)	(1,245,336)
Plan assets in excess of projected benefit obligation	(18,714)	(76,404)
Unrecognized net asset at transition	18,062	19,704
Unrecognized net gain	198,156	242,901
Accrued pension obligation for the plan	197,504	186,201
Less accrued pension obligation of NAJ and Subsidiary	(37,103)	(34,298)
Accrued pension obligation	$ 160,401	$ 151,903

The Association maintains a 401(k) plan covering substantially all employees. The plan allows for a matching contribution of 25% of employees' contributions. Contributions for 2001 and 2000 amounted to $12,894 and $11,740, respectively.

Note 5. Operating Lease

AJCA is obligated under certain lease agreements, for office equipment, which are classified as operating leases. Minimum future payments under the leases are as follows:

Year Ending December 31	Amount
2002	$27,018
2003	27,018
2004	6,409
	$60,445

Lease expense for 2001 and 2000 amounted to $28,298 and $31,971, respectively.

Note 6. Designation of Net Assets

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

	2001	2000
Building - established with original proceeds from sale of former operating facility; invested in securities and used as collateral for building loan (see Notes 7 and 9)	$829,339	$955,579
Research and development - 50% of American Jersey Cattle Association's excess of revenues over cost of operations after preceding appropriations - established in 1987	77,383	79,383
	$906,722	$1,034,962

Note 7. Long-Term Debt

Liability for long-term debt on the building is shared jointly by AJCA and NAJ. The Board of Directors of AJCA and NAJ have agreed to reflect the building and debt on a ratio of 85% to AJCA and 15% to NAJ, based on the occupancy being utilized by the respective organizations.

AJCA's share consists of a fifteen year variable rate note, amounting to $29,722 and $56,079 at December 31, 2001 and 2000, respectively, with fixed principal payments which total $26,357 annually. Interest is equal to prime (4.75% and 9.5% at December 31, 2001 and 2000, respectively). Final payment is due February 2003. The note is collateralized by the building and AJCA's investment securities obtained from the proceeds of the sale of a former operating facility (see Notes 6 and 9).

Long-term debt was obtained in the amount of $441,000, for financing of the development of computer software. At December 31, 2001 and 2000, the note has an outstanding balance of $345,982 and $375,382, respectively. Liability for this debt is shared jointly by AJCA, National-All Jersey Inc., and All-Jersey Sales Corp. The Board of Directors of AJCA and NAJ have agreed to allocate the cost of the software and applicable debt at a ratio of 85% to AJCA, 7.5% to NAJ, and 7.5% to AJSC, based on expected utilization by the respective organizations. AJCA's share amounts to $294,084 and $319,074 at December 31, 2001 and 2000, respectively, with monthly principal payments of $2,083 due plus interest. The original note required interest at 7.9%. During 2001, the Association refinanced the note at 7.15%. Final payment is due May 2013. This loan is collateralized by the building and the building fund investments (see Note 9).

Principal payments required on these long-term notes are summarized as follows:

Year Ending December 31	Amount
2002	$51,346
2003	28,356
2004	24,990
2005	24,990
2006	24,990
Thereafter	169,135
	$323,807

Note 8. Line of Credit

At December 31, 2001, the Association has available a $100,000, due on demand, line of credit with interest payable monthly at prime. The line is collateralized by the investment securities obtained from proceeds of the sale of a former operating facility (Notes 6 and 9). No funds were drawn on the line as of December 31, 2001 or 2000.

Note 9. Investments

Investment securities are carried at fair market value, based on market quotes, at December 31, 2001 and 2000 and are composed of the following:

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Investments included in:				
Current assets:				
Cash	$ —	$ —	$ 220,490	$ 220,490
Money market	34,624	34,624	—	—
Mutual funds	184,907	159,735	—	—
	219,531	194,359	220,490	220,490
Building fund:				
Money market	50,436	50,436	955,579	955,579
Mutual funds	900,969	778,903	—	—
	951,405	829,339	955,579	955,579
	$1,170,936	$1,023,698	$1,176,069	$1,176,069

During December 2000, the Association liquidated its investment portfolio held at Huntington Trust. In January 2001, the Association transferred its investment funds to Banc One Securities.

Investment income for 2001 and 2000, consists of the following:

	2001	2000
Interest and dividend income	$ 29,154	$ 43,644
Capital gain distributions	1,111	—
Net realized loss on sale of investments	—	(84,189)
Net unrealized loss on investments	(147,238)	—
	$ (116,973)	$ (40,545)

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

Independent Auditors' Report

We have audited the accompanying consolidated statements of financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2001 and 2000, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2001 and 2000, and the changes in their consolidated net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hausser + Taylor LLP
Columbus, Ohio
February 22, 2002

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2001 and 2000

ASSETS	2001	2000
CURRENT ASSETS		
Cash and cash equivalents	$231,445	$ 72,038
Custodial cash	788,756	1,484,416
Investments (Note 10)	469,786	480,444
Accounts receivable, net of allowance for doubtful accounts of $6,500 at December 31, 2001 and December 31, 2000	129,497	272,837
Recoverable income taxes (Note 8)	—	941
Interest receivable	336	895
Prepaid expenses	2,032	1,643
Deferred income taxes (Note 8)	1,400	6,050
Total current assets	1,623,252	2,319,264
PROPERTY AND EQUIPMENT, AT COST (Note 7)		
Land	12,000	12,000
Building	75,717	75,717
Software development	79,652	79,652
Vehicles	50,205	—
	217,574	167,369
Less accumulated depreciation	53,954	41,909
	163,620	125,460
OTHER ASSETS		
Investments restricted for deferred compensation plans (Note 3)	2,176	3,163
	2,176	3,163
	$ 1,789,048	$2,447,887
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 7)	$ 20,420	$ 9,061
Current portion of deferred compensation plan (Note 3)	2,467	2,307
Accounts payable	11,418	4,934
Advances due to American Jersey Cattle Association	126,999	46,811
Fees due consignors	784,810	1,554,216
Accrued expenses	39,106	44,376
Advances and reserves for advertising (Note 4)	31,828	31,828
Deferred income	24,228	12,997
Accrued pension obligation (Note 6)	37,103	34,298
Total current liabilities	1,078,379	1,740,828
NONCURRENT LIABILITIES		
Deferred income taxes (Note 8)	6,600	2,050
Long-term debt (Note 7)	91,221	66,204
Deferred compensation plan (Note 3)	4,734	8,809
	102,555	77,063
Less current portion	22,887	11,368
	79,668	65,695
Total liabilities	1,158,047	1,806,523
NET ASSETS		
Unrestricted:		
Designated (Note 5)	63,355	63,355
Undesignated	567,646	578,009
Total net assets	631,001	641,364
	$1,789,048	$ 2,447,887

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

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2001 and 2000

	2001	2000
REVENUES		
Equity project fees	$337,194	$ 338,247
Commissions	524,164	559,279
Interest and dividend income	29,290	53,919
Other	23,522	27,158
All-Jersey fees	—	2,292
Total revenues	914,170	980,895
COST OF OPERATIONS (Note 2)		
Salaries	341,141	345,955
Supplies, service, and administration	458,647	489,082
Field services	50,236	50,508
Bad debt expense	—	39,419
Depreciation	12,045	7,716
Interest	5,205	5,880
Total costs of operations	867,274	938,560
INCREASE IN NET ASSETS BEFORE OTHER EXPENSE AND INCOME TAXES	46,896	42,335
OTHER EXPENSE		
Net realized and unrealized loss on investments	50,092	30,261
INCREASE (DECREASE) IN NET ASSETS BEFORE INCOME TAXES	(3,196)	12,074
INCOME TAX EXPENSE (Note 8)	7,167	8,557
INCREASE (DECREASE) IN NET ASSETS	(10,363)	3,517
NET ASSETS - Beginning of year	641,364	637,847
NET ASSETS - End of year	$631,001	$641,364

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

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

Notes To Financial Statements

Note 1. Significant Accounting Policies

A. Organization and Purpose - 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.

B. 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.

C. Basis of Accounting - The accrual basis of accounting has been used in the preparation of the consolidated financial statements.

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

E. Custodial Cash - The Company maintains cash due consignors in separate custodial cash accounts. See Note 1K for further discussion.

F. 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 and Changes in Net Assets of the Company for 2001 and 2000 include reimbursements of $83,236 and $77,820, respectively, paid to the Association for these jointly incurred costs.

G. Property and Equipment - 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	Estimated Useful Lives
Building	31 1/2 years
Software development	15 years
Vehicles	3 years

Software development represents costs incurred as part of the Member Services Processing System (MSPS).

H. Concentration of Credit Risk - The Company maintains its demand deposits in one financial institution which is insured by the Federal Deposit Insurance Corporation up to $100,000. Cash equivalents and investments are maintained in trust accounts with a trust company. 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.

I. 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.

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

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

L. Accounts Receivable - Accounts receivable are reflected at their net realizable value. At December 31, 2001 and 2000, management has estimated an amount which may be uncollectible and has recorded an allowance for it.

M. Investments - The Company utilizes Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities and Changes in Net Assets. See Note 10 for further discussion with respect to investments.

N. Reclassifications. Certain 2000 items have been reclassified to conform with the 2001 presentation.

Note 2. Functional Expenses

The Company's operating expenses by functional classifications for 2001 and 2000 are as follows:

	2001	2000
National All-Jersey Equity program	$271,849	$283,620
Accounting, administration, general and field service	61,292	103,494
All-Jersey Sales (JMS)	534,133	551,446
Total cost of operations	$867,274	$938,560

Note 3. Investments Restricted for Deferred Compensation

National All-Jersey Inc. has entered into a deferred compensation plan with a former executive. At December 31, 2001 and 2000, the balances in the trust at fair market value are $2,176 and $3,163, respectively. The cost of the plan is shared by National All-Jersey Inc. and American Jersey Cattle Association.

Note 4. Advances and Reserves for Advertising

	December 31, 2001	December 31, 2000
5% National - represents funds accumulated as a percentage of member advances to be applied to the cost of national or regional advertising for the benefit of all members	$31,828	$31,828

Note 5. Designation of Net Assets

The Board of Directors have designated net assets for the following:

	December 31, 2001	December 31, 2000
Research and development: Approximately 2.5% of annual gross revenues and 50% of National All-Jersey excess revenues over cost of operations after 2.5% appropriation. In 2001 and 2000, no appropriations were made	$63,355	$ 63,355

Note 6. Pension Plans

The Company and Subsidiary and American Jersey Cattle Association have a non-contributory defined benefit pension plan covering substantially all employees 21 years of age or older, who have been employed for one year with at least 1,000 hours of service. The Company's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the plan with sufficient assets to meet the benefits payable to plan participants. The plan assets are stated at fair value and primarily consist of bond and stock funds. At December 31, 2001, the administrator reported a requirement for an accrued pension liability of $197,504, and, as a result, the Company and Subsidiary and American Jersey Cattle Association have adjusted their financial statements at December 31, 2001 to reflect this liability resulting in pension expense of $37,192 for 2001. In 2000, the entities recorded pension expense of $28,442. The Company's portion of pension expense amounts to $7,781 and $5,950, respectively for 2001 and 2000, which includes amortization of past service costs over 30 years.

The projected status of accumulated plan benefits for the combined entities as of December 31, 2001 and 2000 is as follows:

Net periodic pension cost for 2001 and 2000 includes the following components:

	2001	2000
Service cost - benefits earned during the period	$66,603	$ 65,162
Interest cost on projected benefit obligation	76,038	77,007
Expected return on assets	(97,035)	(102,826)
Net amortization	(8,414)	(10,901)
Net periodic pension cost for the plan	37,192	28,442
Less net periodic pension cost of AJCA	(29,411)	(22,492)
Net period pension cost	$ 7,781	$ 5,950

Assumptions used in the accounting as of December 31, 2001 and 2000 were:

	2001	2000
Discount rate	7.50%	7.50%
Rate of increase in compensation levels	5.50%	5.50%
Long-term rate of return	9.00%	9.00%

The following table sets forth the plan's funded status and amounts recognized in the Company's Statement of Financial Position at December 31, 2001 and 2000 for its pension plan.

	2001	2000
Actuarial present value of benefit obligation:		
Vested benefit obligation	$913,030	$ 878,918
Accumulated benefit obligation	$955,470	$ 921,083
Projected benefit obligation	$1,156,486	$1,168,932
Plan assets at fair value	(1,175,200)	(1,245,336)
Plan assets in excess of projected benefit obligation	(18,714)	(76,404)
Unrecognized net asset at transition	18,062	19,704
Unrecognized net gain	198,156	242,901
Accrued pension obligation for the plan	197,504	186,201
Less accrued pension obligation of AJCA	(160,401)	(151,903)
Accrued pension obligation	$ 37,103	$34,298

The Company maintains a 401(k) plan covering substantially all employees. The plan allows for a matching contribution of 25% of employees' contributions. Contributions for 2001 and 2000 amounted to $6,837 and $4,908, respectively.

Note 7. Long-Term Debt

Liability for long-term debt on the building is shared jointly by the Company and American Jersey Cattle Association. The management of the Company and AJCA have agreed to reflect the building and debt on a ratio of 15% to the Company and 85% to American Jersey Cattle Association, based on the occupancy being utilized by the respective organizations.

The Company's share consists of a fifteen year variable rate note, amounting to $5,245 and $9,896 at December 31, 2001 and 2000, respectively, with fixed principal payments which total $4,651 annually. Interest is equal to prime (4.75% and 9.50% at December 31, 2001 and 2000, respectively). Final payment is due February, 2003. The note is collateralized by the building and American Jersey Cattle Association's investment securities obtained from the proceeds of the sale of a former operating facility.

Long-term debt was obtained in the amount of $441,000 for the financing of the development of computer software. At December 31, 2001 and 2000, the note has an outstanding balance of $345,982 and $375,382, respectively. Liability for this debt is shared jointly by AJCA, National All-Jersey Inc. and All-Jersey Sales Corporation. The Board of Directors of AJCA and NAJ have agreed to allocate the cost of the software and applicable debt at a ratio of 85% to AJCA, 7.5% to NAJ and 7.5% to AJSC, based on expected utilization by the respective organizations. NAJ's and AJSC's share amounts to $51,898 and $56,308 at December 31, 2001 and 2000, respectively, with monthly principal payments of

$368 plus interest. The original note required interest at 7.9%. During 2001, the note was refinanced and now bears interest at 7.15%. Final payment is due May 2013. The long-term debt is collateralized by the building and AJCA's investment securities obtained from the proceeds of the sale of a former operating facility.

During 2001, the Company financed the purchase of a vehicle by incurring a note payable amounting to $34,078. The note requires monthly payments of $947, with interest at 0%, through December, 2004. The note is collateralized by the vehicle.

Principal payments required on these long-term notes are summarized as follows:

Year Ending December 31:	Amount
2002	$20,420
2003	16,363
2004	15,770
2005	4,410
2006	4,410
Thereafter	29,848
	$91,221

Note 8. Income Taxes

Deferred tax assets and liabilities result from temporary differences in the recognition of income and expense for tax and financial reporting purposes. The deferred tax asset results from allowance for doubtful accounts, and a net operating loss carryforward for tax purposes. The deferred tax liability results from different depreciation lives for software for tax and financial reporting purposes.

Recoverable income taxes at December 31, 2000 primarily represent overpayments of estimated federal and city income taxes for 2000.

The provision (benefit) for income taxes for the years ended December 31, 2001 and 2000 consists of the following:

	2001		
	Federal	State and Local	Total
Current	$ (3,122)	$ 1,089	$ (2,033)
Deferred	8,400	800	9,200
	$5,278	$1,889	$ 7,167

	2000		
	Federal	State and Local	Total
Current	$ 716	$ 541	$ 1,257
Deferred	4,580	2,720	7,300
	$ 5,296	$ 3,261	$ 8,557

The Company's effective income tax rate for 2000 is higher than what would be expected if the federal statutory rate were applied to income from continuing operations primarily because of exempt activities from not-for-profit activities.

Note 9. Line of Credit

The Company had available a $175,000, due on demand, line of credit with interest payable monthly at prime at December 31, 2001 and 2000. The line is collateralized by investment securities held by American Jersey Cattle Association. No funds were drawn on the line at December 31, 2001 or 2000.

Note 10. Investments

Investment securities are carried at fair value, based on market quotes at December 31, 2001 and 2000 and are composed of the following:

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Money market	$149,670	$149,670	$480,444	$480,444
Mutual funds	370,208	320,116	—	—
	$519,878	$469,786	$480,444	$480,444

During December 2000, the Company liquidated its investment portfolio held at Huntington Trust. In January 2001, the Company transferred its investment funds to Banc One Securities.

Investment income for 2001 and 2000 consists of the following:

	2001	2000
Interest and dividend income	$28,894	$53,919
Capital gain distributions	396	—
Net realized loss on sale of investments	—	(30,261)
Net unrealized loss on investments	(50,092)	—
	$(20,802)	$23,658

American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation

The question is no longer, "Is she, or isn't she?" She simply should be.

Registered.

It's time to take a fresh look at the registration certificate, the bedrock of services from the American Jersey Cattle Association. On its face, a registration certificate is essentially worthless as a tangible object. It is just a piece of paper measuring 8½" deep by 11" wide. It sports three holes, a green border, and bits of information printed in black ink.

Yet year after year, more and more animals are being recorded in the AJCA Herd Register. There must be a reason. Which leads one to ask, "Why does a registration certificate have value? How does it return the $14 that is invested to get it?"

The value of an AJCA registration certificate rests in the fact that it is a reliable and authoritative record of ancestry. And while it lists only the sire and dam, plus the grandsires and grandams of a single Jersey male or female, you can get *all* of the ancestors when you need them. That's because the registration number for a Registered Jersey is the single best access code you'll ever have to a vast pedigree database, plus performance and genetic information.

We live in an age when information is power. And, because the registration number is the key to information, a registration certificate is power.

The power to make a profit.

Today's primary threat to profit is inbreeding. For each 1% increase in inbreeding, studies show that you lose $20 in lifetime profit. Inbreeding, which averages 6% nationwide, is also associated with lowered fertility and depressed calf vigor—losses hard to measure, but that add up to drain profits, too.

Managing inbreeding is impossible without knowing the animal's pedigree—*really knowing* that pedigree. All that most commercial mating programs can deliver to you are matings based upon what is printed on the registration certificate. That just isn't enough. Recent studies show that they under-estimate the true level of inbreeding by an average of 5.5%.

There is one mating service that can calculate inbreeding for eight generations (510 ancestors, *maternal and paternal*) and still help you meet the goals you have set for production and type, using the bulls of your choice. That's JerseyMate™. But to use JerseyMate™, you need a registration number.

You may never sell a cow or her offspring in a purebred sale. You may never take them to a show. But you will always be wanting them to make a profit for you.

So, register.

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