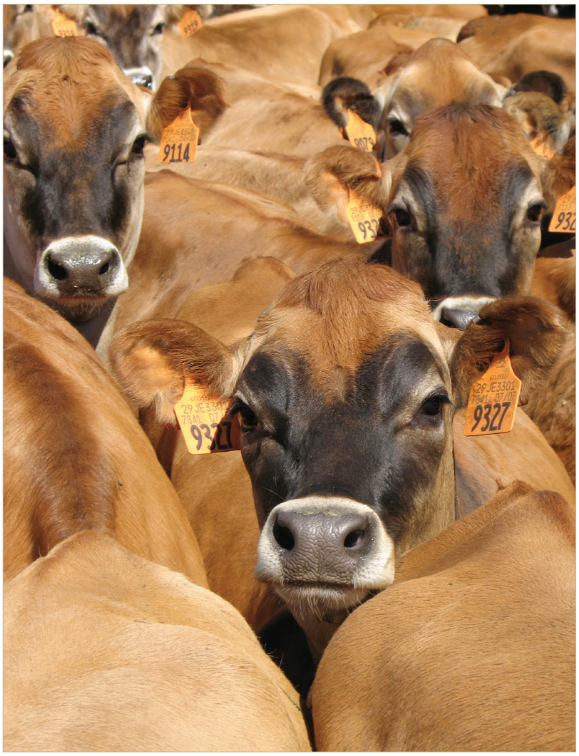

American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation

2009 Annual Report

American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation
Report to the Membership

The twelve months of 2009 presented a difficult business environment for your dairy operations, as they did for the American Jersey Cattle Association and National All-Jersey Inc. At the same time, 2009 was another exciting chapter in the continuing story of Jersey breed growth and improvement.

This most recent decade began with implementation of Federal Order multiple component pricing on January 1, 2000 and closed December 31, 2009 with all-time records for Jersey registrations, herd service enrollments, and member support for Jersey milk marketing. Since 2000, your organizations have achieved:

- A 50% increase in registrations;
- A 41% increase in total cows enrolled on performance programs;
- A 50% increase in cow enrollments in REAP—*registration, Equity, appraisal and performance evaluation*;
- A 61% increase in cows scored in the functional type traits appraisal program;
- A 90% increase in financial support for Jersey-specific milk marketing programs and services; and
- A 68% increase in the annual average for combined public auction and private treaty sales by Jersey Marketing Service.

If the primary indicators of the strength of membership organizations are the levels of participation in programs offered by the organizations, and whether participation levels are increasing or decreasing, there is only one conclusion to be reached. Our organizations—with combined active membership exceeding 3,200—are strong and poised for continued growth.

A year-end surge in registration activity results in back-to-back record years.

In the wake of an all-time record 94,774 registrations in 2008, the Board budgeted cautiously for 84,500 registrations in 2009. After having run ahead of 2008 for most of the year, registration work slowed in November. But that was followed by a huge closing spurt, so 2009 now holds the all-time mark: 95,557 animals recorded—19,395 processed in December alone.

Of note, 70% of applications were submitted and processed electronically, and 79% of registrations originated from REAP enrolled herds. JerseyTag sales set a new record 145,963 units sold, a 14% gain from 2008. No surprise, then, that 39% of calves registered last year were identified by double-matched approved eartags.

Over the last 15 years, Jersey has been the only breed to record substantial and continuous population growth. In 2000, the total U.S. Jersey cow population was estimated at 3.3% based on DHI enrollments. At January 1, 2010, Jerseys on test in Jersey-only herds are 5.2% of cows enrolled on DHI, and account for a significant portion of the 6.6% of dairy cows in "Mixed" herds—those with a combination of breeds, like Jersey and Holstein, as well as crossbreed cows. Continued population growth seems certain, as the Jersey share of the domestic semen market for 2009 was 8.4%, equal to that for 2008.

Investments for the Future

More than $75,000 invested from the AJCC Research Foundation to genotype proven Jersey bulls to develop more accurate genomic evaluations, bringing the total directed by the AJCA to genomics research since 2005 to over $145,000

Over $34,000 appropriated from AJCC Research Foundation and NAJ Appropriated Surplus for investigations on Jersey milk characteristics, genetic markers related to Johne's Disease in Jerseys, pregnancy rates of Jersey embryos frozen in different media, and environmental impact of dairy production with Jersey cattle

More than $70,000 directed for supporting education and development of the next generation Jersey breeders through Jersey Youth Academy, national awards and scholarships

Performance evaluation programs were met with record enrollments, attesting to their usefulness.

At the close of business on December 31, 131,102 cows were enrolled in AJCA performance evaluation programs—a gain of 2,752 cows over the 2008 all-time record. New records were also established for REAP cow enrollment and REAP herds, at 127,291 and 867 respectively. Sustained program growth spurred another record; 83,431 cows were scored in the functional type traits program. That 8% increase was on top of a 12% gain in 2007. The appraisal program has grown by over 14,000 cows in the space of just two years.

The AJCA processed 87,911 lactations, a 12.4% gain over 2008. Production per cow was 18,498 lbs. milk, 859 lbs. fat and 666 lbs. protein on a 305-day, 2x mature equivalent basis. For cheese yield, the breed average is now a record 2,248 pounds.

Jersey genomic evaluations became official and investments in R&D continued.

The highly anticipated official release of genomic evaluations came on January 13, 2009 with approximately 1,900 Jerseys having been genotyped. By the end of the year, nearly 3,500 Jerseys had genomic evaluations based on their own genotype, including the vast majority of active A.I. bulls and the new code G bulls, ones with genomic proofs but no information from tested daughters.

Genomic testing of dairy cattle has moved faster than a speeding bullet, with the testing platform available commercially only since December 2007. For Jerseys, the initial gains in reliability have been important, averaging about 12%, and are likely to improve as more information is obtained. Funds were allocated from the AJCC Research Foundation during 2009 to genotype additional proven Jersey bulls to provide that necessary data for research and development.

Minimum Standards for Nonfat Solids in Fluid Milk

The National All-Jersey Inc. and the American Jersey Cattle Association Boards of Directors support immediate and determined efforts to raise Federal standards for fluid milks sold at retail from their present solids-not-fat minimums to the California standards. This action would establish uniform standards for fluid milk sold at retail across the United States; deliver higher levels of nutrition and better taste due to more protein and calcium in each glass of milk; and reduce the production of and Commodity Credit Corporation purchases of lower-value nonfat dry milk. Raising fluid milk standards will give consumers a more consistent and nutritious product and create a positive demand for milk solids that will help equalize the imbalance between milk supply and product demand.

National All-Jersey Inc. will coordinate efforts on behalf of the Jersey organizations with industry partners to implement higher standards.

Adopted July 2009

Financial support for National All-Jersey Inc. set another record in 2009.

Since 1976, the Equity program has focused on providing a fair return for producers of Jersey milk. Including a record $644,571 invested during 2009 by 1,114 participants, over $8.2 million has been directed to National All-Jersey Inc. for its ever-evolving activities.

At its summer meeting, the NAJ Board of Directors adopted a resolution calling for the national implementation of the California minimum standards for nonfat solids in fluid milk, which was in turn immediately adopted by the AJCA Board of Directors *(see sidebar, this page)*. As the year progressed, support from milk cooperatives and other key ag organizations became known and NAJ staff engaged the services of a Washington, D.C. lobbyist to develop and execute strategy. At the same time, NAJ staff was engaged in analyzing the proposals offered to restructure U.S. milk marketing. NAJ also expanded its research to document the superior nutritional qualities of Jersey milk, using that information to support All-Jersey® and Queen of Quality® brand processor-distributors.

Cheeses with the Queen of Quality® label gained industry honors, media attention, and consumer accolades in 2009. Spring Brook Tarentaise earned a Gold Medal in the first North American Jersey Cheese Awards, and also placed first in American Cheese Society judging and third at the U.S. Championship Cheese Contest.

2009 was full of challenges for Jersey Marketing Service, as it continued a strong decade of growth.

The cattle markets, as expected, were highly correlated with 2009's historically low milk prices and low profit margins. The combined average price through auction and private treaty was just shy of $1,400 per lot, off nearly $600 from JMS's second best all-time average set in 2008. Combined public and private sales totaled $6,934,565, the tenth best year in company history. Public auctions were a strength, where we marketed an extra 300 head and managed four more auctions than the previous year.

Since January 1, 2000, JMS has sold 55,456 lots for a total value of $90,215,655. Annual sales from 2000 to 2009 averaged $9.0 million, compared to $5.4 million for 1990 through 1999.

Operations of the Jersey organizations showed a positive income.

The AJCA and NAJ reported combined net income from operations of $16,272 as explained in the financial statements beginning on page 7. The companies have reported positive net income from operations in each of the past six years, and for 14 of the past 16 years. The balance sheet of the organizations is strong with combined net assets of $2,468,508.

Learning that there is a lot more to the Jersey business than the milking parlor ...

"There's no question in my mind that the Jersey cow has played a major role in my success as a dairyman and as a processor. I want you to keep one thing in mind. All milk is not the same. If you keep in mind that all milk is not the same, you'll learn a lot and it'll take you a long way in your dairy life."

Richard Clauss, Keynote Address to the Jersey Youth Academy

These words were no sooner spoken than this thought struck me: we have long needed a Jersey Youth Academy to expose our young people to the wisdom of all those who helped shape the Jersey business into what it is today.

After the successful BW Academy-ET fundraising campaign in late 2008, the Jersey Youth Academy was held in July 2009. The program's mission to attract, educate, and retain talented young people for careers in the Jersey dairy business led to the selection of 36 youth for the intensive, all expenses paid program. In November, the AJCA Board of Directors declared the 2011 National Heifer Sale as an all-donation fundraiser with proceeds designated for the Academy endowment plus annual support of national youth programs.

In the style of a "boot camp," the first Jersey Youth Academy delivered as much content as could be packed into four days, July 27-31. The 36 young people from 21 states met more than 40 dairy and ag industry leaders and educators, toured the national Jersey offices, had hands-on experience with core herd improvement services, learned how they could tell the positive story of the dairy industry to consumers, and went behind the scenes at companies that supply milk producers as well as market their products. Participant evaluations rated the entire program as "outstanding," with repeated mention of the special value of exposure to our Jersey leaders. As one Academy student wrote, "I appreciated very much hearing from so many people in the dairy industry and how they came to be where they are today. I believe their tried-and-true life advice is so important and encouraging to hear."

Will It Sell More Jersey Cows? Will It Sell More Jersey Milk?

The knowledge and insights that our current leaders, like Dick Clauss, are passing along to the next generation stem from what they themselves learned from their elders and mentors. In that vein, we note the passing on April 6, 2010 of J. F. Cavanaugh, Executive Secretary of these organizations from 1956 to 1985. It was Jim who introduced the modern program for breed growth and progress at the 1957 Annual Meeting: "Sell the dairy industry on the value of Jersey milk. Dramatize the efficiency of the Jersey cow. Increase the production average of Jerseys. Glamorize Jersey cows and Jersey milk."

These remain the right objectives for our organizations. And the test that we must apply to determine if we are achieving those objectives, or failing to, is also a legacy from Jim Cavanaugh: "Will it sell more Jersey cows? Will it sell more Jersey milk?"

What we do is done on your behalf, to help you make more money from your investment in Registered Jerseys™. The Boards have set challenging goals that are we working hard to accomplish and high standards for how we do business. Will we maintain our 90,000 average for registrations in the years to come? Will we have 150,000 cows on performance programs? Will we secure the full value of Jersey milk for 100% of Jersey producers? I am confident that the answer is yes, but only you can help make it happen. Thank you for your support of and loyalty to the American Jersey Cattle Association and National All-Jersey Inc. It is a privilege to work for you, and we hope to continue to do so for many, many years down the road.

Neal Smith

Executive Secretary and Chief Executive Officer

Management Team

Accounting
Vickie J. White, Treasurer

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

Jersey Marketing Service
Daniel S. Bauer

Field Service
Kristin Paul

Research and Genetic Development
Cari W. Wolfe

Jersey Journal
Kimberly A. Billman

Information Technology
Mark A. Chamberlain

Development
Cherie L. Bayer, Ph.D.

American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation
Outline History of Jerseys and the U.S. Jersey Organizations

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

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

1868 The American Jersey Cattle Club organized, the first national dairy 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 The 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 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. 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 regional young sire proving group, Dixieland Jersey Sires, Inc., organized, two more set up by 1987.

1986 Jersey Mating Program implemented.

1987 For first time, 50,000 cows enrolled on performance program. Committee appointed to increase the 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 AJCC-NAJ headquarters building is completed. Laurence and Mary French Rockefeller of The Billings Farm donate $100,000 to the AJCC Research Foundation.

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

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

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

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

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

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

1996 After USDA calls for proposals on Federal Order pricing reform, National All-Jersey Inc. is among first to respond, recommending use of end-product pricing for all classes of milk. Breed average reaches 16,051 lbs. milk, 737 lbs. fat and 591 lbs. protein. Record average set for the All American Sale at $7,793.33.

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 DHIR lactation average reaches 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 171 Charter Investors recognized. Performance program enrollments exceed 100,000 for the first time. JerseyMate™ is introduced.

2002 Rules are expanded to allow use of approved tamperproof American ID tags 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. The All American Junior Show is the largest in history at 333 head exhibited.

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. After 30 years, 284,302 females recorded through Genetic Recovery, 16.3% of all registrations. REAP ends first decade with record 108,786 cows in 728 herds. Royalties paid to members of five regional young sire groups since their inception tops $1 million.

2006 USDA-AIPL revision of Productive Life evaluations shows Jerseys have 183-day advantage over industry average. Jersey Performance Index™ is revised with weights of 60% for production, 40% on fitness traits.

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. U.S. Jersey auction sales average sets all-time record of $2,435.42 per lot. Jersey Marketing Service posts best year in its history with gross sales of $13,089,073.

2008 Registrations exceed 90,000 for first time, and all-time records also broken for performance program enrollments. 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). Duncan Hibrite of Family Hill sets all-time records for lifetime production. JerseyLink™ is introduced. Record average set for the National Heifer Sale at $4,411.67. NAAB reports record semen sales of 2,841,960 units, domestic and export.

2009 Investment in Project Equity since 1976 surpasses $8.2 million. Production average increases to 18,498 lbs. milk, 859 lbs. fat, and 660 lbs. protein, 2,248 lbs. cheese yield, on 87,911 lactations. Registrations of 95,557 break all-time record set previous year. Performance program enrollment grows to a record 131,102 cows, REAP sets records with 127,291 cows in 867 herds, and record of 83,431 scores assigned in type evaluation program. Inaugural Jersey Youth Academy conducted.

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

The American Jersey Cattle Association (AJCA), National All-Jersey Inc. (NAJ) and its subsidiary All-Jersey Sales Corporation (AJSC), reported a combined net income from operations of $16,272 for the year ended December 31, 2009.

American Jersey Cattle Association

Revenues	$2,578,035
Expenditures	$2,516,908
Net Income from Operations (before All American and Other Income and Expense)	$ 61,127

National All-Jersey Inc. and Subsidiary

Revenues	$ 936,051
Expenditures	$ 980,906
Net Income from Operations	$ (44,855)

Program participation remained strong in many service areas throughout 2009. Combined revenues are as follows:

Identification Services	34%
Performance Services	20%
Equity	18%
Jersey Journal	14%
Cattle Marketing Services	7%
Other	7%

The organizations' marketable securities are reported at market value of $1,491,115. Due to the increase in market values compared to 2008, an unrealized gain was recorded at December 31, 2009 to reflect the variance in cost versus fair market value of the companies' investments.

The companies reported net assets at December 31, 2009 of:

American Jersey Cattle Association	$ 1,664,714
National All-Jersey Inc. and Subsidiary	$ 803,794
Total (combined) net assets	$ 2,468,508

The AJCC Research Foundation reported net assets of $1,355,110 at year-end December 31, 2009. The Research Foundation, along with funding from NAJ supported four projects totaling $34,028. The scholarship funds administered by the AJCA awarded nine scholarships totaling $15,000. Total combined net assets in the scholarship funds as of December 31, 2009 were $324,818. In addition, the Jersey Youth Academy hosted its inaugural class of 36 youth. Net assets held in the Jersey Youth Academy Fund at December 31, 2009 were $76,898.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accounting firm, McGladrey & Pullen, LLP. These statements clearly state the financial position of the companies at December 31, 2009.

Respectfully submitted,

Vickie J. White

Vickie J. White
Treasurer

To the Board of Directors
American Jersey Cattle Association
Reynoldsburg, Ohio

Independent Auditor's Report

We have audited the accompanying statements of financial position of American Jersey Cattle Association as of December 31, 2009 and 2008, and the related statements of activities 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 audits 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, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

McGladrey & Pullen, LLP
Columbus, Ohio
April 26, 2010

American Jersey Cattle Association

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	$ 268,274	$ 618,860
Investments	203,873	169,177
Accounts receivable, net	300,186	232,548
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	377,718	233,949
Supplies and inventories	19,137	18,731
Prepaid expenses and other assets	64,239	69,392
Total current assets	1,233,427	1,342,657
PROPERTY AND EQUIPMENT		
Land	68,000	68,000
Building	494,448	494,448
Operating equipment	1,456,281	1,458,528
Software development	540,379	540,379
	2,559,108	2,561,355
Less accumulated depreciation and amortization	(1,961,726)	(1,890,595)
	597,382	670,760
OTHER ASSETS		
Investments	878,332	718,560
Advances due National All-Jersey Inc. and All-Jersey Sales Corporation	102,025	136,758
	980,357	855,318
	$2,811,166	$2,868,735
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of obligation under co-borrowing credit agreement (total balance of $0 and $52,933 at December 31, 2009 and 2008, respectively), portion borrowed by AJCA	$ —	$ 44,993
Current portion of capital lease obligations	26,898	32,040
Current portion of unexpired subscriptions and directory listings	44,941	35,917
Accounts payable	128,047	167,229
Accrued expenses	49,356	75,141
Awards, The All American Show & Sale	53,653	52,667
Awards, National Jersey Jug Futurity	19,052	13,532
Unearned fees and remittances	298,246	323,449
Total current liabilities	620,193	744,968
NONCURRENT LIABILITIES		
Capital lease obligations, net of current portion	56,869	76,540
Unexpired subscriptions and directory listings, net of current portion	37,955	41,140
Accrued pension obligation	431,435	660,336
	526,259	778,016
Total liabilities	1,146,452	1,522,984
NET ASSETS		
Unrestricted:		
Designated	1,034,543	875,546
Undesignated	630,171	470,205
Total net assets	1,664,714	1,345,751
	$2,811,166	$2,868,735

See notes to the financial statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2009 and 2008

	2009	2008
REVENUES		
Fees	$2,017,437	$2,019,055
Jersey Journal advertising and subscriptions	506,800	578,512
Interest and dividend income	27,377	29,830
Other	26,421	15,835
Total revenues	2,578,035	2,643,232
COST OF OPERATIONS		
Salaries, service, and administrative	1,959,797	1,871,729
Jersey Journal publishing	436,627	505,644
Depreciation and amortization	135,603	133,085
Interest expense	7,381	6,811
Total cost of operations	2,539,408	2,517,269
INCREASE IN NET ASSETS FROM OPERATIONS	38,627	125,963
OTHER INCOME (EXPENSE)		
Net gain (loss) from The All American Show and Sale	(11,474)	(19,491)
Net unrealized gain (loss) on investments	184,098	(337,312)
Realized gain on investment	—	7,119
Gain on property and equipment	3,091	7,890
Net periodic pension cost	(81,750)	(10,020)
Total other income (expense)	93,965	(351,813)
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	132,592	(225,850)
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	775	4,496
Total expenditures from designated net assets	775	4,496
CHANGE IN NET ASSETS BEFORE EFFECT OF POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COST	131,817	(230,346)
POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC PENSION COST	(187,146)	457,287
CHANGE IN NET ASSETS	318,963	(687,633)
NET ASSETS, beginning	1,345,751	2,033,384
NET ASSETS, ending	$1,664,714	$1,345,751

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.

Basis of Accounting. The financial statements of the Association have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation. United States generally accepted accounting principles require the Association to report information regarding its financial position, and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated assets for a building fund and research and development which totaled $878,332 and $156,211 for 2009 and $718,560 and $156,986 for 2008, respectively.

Temporarily Restricted Net Assets: Temporarily restricted net assets result from timing differences between the receipt of funds or pledges of funds and the incurrence of the related expenditures. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If the donor restriction expires in the same fiscal year the gift is received, the Association reports the gift as a temporarily restricted contribution and as net assets released from restriction in the statement of activities. As of December 31, 2009 and 2008, there were no temporarily restricted assets.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations must be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2009 and 2008, there were no permanently restricted net assets.

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 effect 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.

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

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased 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 statement of activities.

Accounts Receivable. AJCA extends unsecured credit to members under normal terms. Unpaid balances begin accruing interest 30 days after the invoice date at a rate of 1 ½% per month. Payments are applied first to the oldest unpaid invoice. Accounts receivable are presented at the amount billed plus any accrued and unpaid interest. Management estimates an allowance for doubtful accounts, which was $60,000 and $45,000 as of December 31, 2009 and 2008, 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) recovery of $(19,519) and $13,878 was recognized for the years ended December 31, 2009 and 2008, 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 accounts for the valuation of long-lived assets under FASB guidance, which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net 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 recorded at the lower of the carrying amount or fair value, less costs to sell.

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 2009 and 2008, these activities include primarily magazine advertising. Income tax expense for 2009 and 2008 amounted to $11,561 and $14,100, respectively, and is included in Jersey Journal publishing expense on the statement of activities and changes in net assets.

On January 1, 2009, the Association adopted the accounting standard 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. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. 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 tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At January 1, 2009 and December 31, 2009, there were no material unrecognized tax benefits identified or recorded as liabilities.

The Association files forms 990 and 990-T in the U.S. federal jurisdiction and the state of Ohio. With few exceptions, the Association is no longer subject to examination by the Internal Revenue Service for years before 2006.

Concentrations of Credit Risk. The Association maintains its demand deposits in a financial institution which is insured by the Federal Deposit Insurance Corporation up to $250,000. Cash equivalents and investments are maintained in trust accounts with a trust company. In addition, the Association maintains cash balances at financial institutions which may exceed federally insured amounts. 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 throughout the United States.

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	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).

Capital Leases. The Association acquired office equipment under noncancellable leases which are accounted for as capital leases. The asset and liability under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the assets. The assets are amortized over its estimated productive life. Amortization of the equipment under capital leases is included in depreciation and amortization expense.

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 of AJCA are net of reimbursements of $102,358 and $95,140 for 2009 and 2008, 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 and NAJ. No funds were drawn on the line as of December 31, 2009 or 2008.

AJCA and NAJ were obligated under a co-borrowing credit agreement (See Note 5.). Under this co-borrowing credit agreement, AJCA is jointly and severally liable, along with NAJ, for the entire outstanding balance of the credit facility which was $0 and $52,933 as of December 31, 2009 and 2008, respectively. The portion of the total advance allocated to AJCA under the credit agreement has been recorded as "obligation under co-borrowing credit facility, portion borrowed by AJCA" in the accompanying statement of financial position.

AJCA sponsors a defined benefit pension plan which provides for affiliated companies (NAJ and subsidiary) to participate in the plan. AJCA allocates the accrued pension obligation and net periodic benefit cost and other comprehensive income among the participating affiliated companies. Based on the current allocation among the companies, AJCA has advances from affiliates for their pension obligation at December 31, 2009 and 2008 of $102,025 and $136,758, respectively (See Note 3).

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 cost.

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 $19,077 and $29,338 for the years ended December 31, 2009 and 2008, respectively.

Functional Allocation of Expenses. The costs of providing programs and activities have been summarized in Note 2. Accordingly, certain costs have been allocated among the programs and activities benefited.

Reclassifications. Certain 2008 balances were reclassified to be in conformity with the current year presentation.

Subsequent Events. The Association has evaluated subsequent events for potential recognition and/or disclosure through April 26, 2010, the date the financials were available to be issued.

Note 2. Functional Expenses

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

	2009	2008
Records	$ 458,048	$ 475,610
Data processing	273,401	352,697
Performance	508,721	555,735
Jersey Journal	435,867	504,865
Information	113,039	165,741
Field	359,513	434,893
Accounting, administration, and general	285,429	472,535
Total cost of operations	$2,434,018	$2,962,076

Note 3. Pension Plans

Effective December 31, 2002, the Board of Directors of AJCA froze the Defined Benefit Pension Plan (Plan). The Plan's administrator has not determined the amount required to fund the Plan if management decided to terminate the Plan which could be in excess of the accrued pension obligation. The Plan is non-contributory and covered substantially all employees 21 years of age or older hired prior to January 1, 2003, who had been employed for one year with at least 1,000 hours of service. AJCA's funding policy is to contribute such amounts as are required 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 mutual funds.

Following are reconciliations of the pension benefit obligation and the value of Plan assets as of December 31:

	2009	2008
Pension benefit obligations		
Balance, beginning of year	$1,434,262	$1,276,180
Interest cost	76,860	73,736
Actuarial (gain) loss	21	139,767
Benefits paid	(54,561)	(55,421)
Balance, end of year	1,456,582	1,434,262
Plan Assets		
Fair value, beginning of year	773,926	1,137,365
Actual returns on Plan assets	205,782	(358,018)
Employer contributions	100,000	50,000
Benefits paid	(54,561)	(55,421)
Fair value, end of year	1,025,147	773,926
Accrued pension obligation	$ 431,435	$ 660,336

Assumptions used in the accounting as of December 31:

	2009	2008
Discount rate	5.49%	5.43%
Long-term rate of return	7.50%	7.50%

Pension expense (benefit) comprised the following at December 31:

	2009	2008
Interest cost	$ 76,860	$ 73,736
Actual return on Plan assets	(205,782)	358,018
Actuarial (gain) loss	21	139,767
Total pension (benefit) expense	(128,901)	571,521
Less pension benefit (expense) of NAJ and Subsidiary	23,505	(104,214)
Pension (benefit) expense of AJCA	$ (105,396)	$ 467,307

Items not yet recognized as a component of net periodic postretirement expense:

	2009	2008
Unrecognized net loss	$ 63,000	$ 92,000

Plan Assets

The investment objective of the Plan is to provide a rate of return commensurate with a moderate degree of risk of loss of principal and return volatility. In pursuit of this objective, the plan's asset allocation shall be consistent with a target of 45% cash and fixed income and 55% equity. The expected return on plan assets assumption is based on an estimated weighted average of long-term returns of major asset classes. In determining asset class returns, the Company takes into account long-term rates of returns of major asset classes, historical performance of plan assets, and related value-added of active management, as well as the current interest rate environment.

The fair values of the Association's pension plan assets at December 31, 2009, by asset category are as follows:

	Fair Value Measurements at December 31, 2009			
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
U.S. large-cap	$ 157,298	$ —	$ 157,298	$ —
U.S. large-cap growth	132,523	—	132,523	—
U.S. large-cap value	59,393	—	59,393	—
U.S. small-cap	82,367	—	82,367	—
International large-cap value	129,038	—	129,038	—
Fixed income securities:				
Investment-grade bonds	464,528	—	464,528	—
	$1,025,147	—	1,025,147	—

Contributions: The Company expects to contribute at least the amount required to meet minimum funding standards.

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2010	$ 59,368
2011	$ 58,220
2012	$ 58,518
2013	$ 68,000
2014	$ 69,312
Years 2015 - 2019	$ 390,124

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 2009 and 2008 amounted to $22,147 and $18,221, respectively.

Note 4. Designation of Net Assets

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

	2009	2008
Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)*	$ 878,332	$ 718,560
Research and development - increased annually on a discretionary basis	156,222	156,986
	$ 1,034,554	$ 875,546

In 2009 and 2008, there were expenditures of $775 and $4,496, respectively, from the research and development designated net assets.

Note 5. Obligation under Co-Borrowing Credit Agreement

AJCA and NAJ were co-makers and, therefore, were both obligated under a co-borrowing credit agreement. The funds were used to finance the development of computer software and building improvements. Under this co-borrowing credit agreement, AJCA was jointly and severally liable, along with NAJ, for the entire outstanding balance of the credit facility which was $0 and $52,933 as of December 31, 2009 and 2008, respectively. Advances to AJCA under the credit agreement were recorded as "obligation under co-borrowing credit agreement, portion borrowed by AJCA" in the accompanying statement of financial position. The long-term note required monthly payments of $6,006 including interest at 5.0% through September 2009. The note was paid in full in September 2009.

Liability for this debt was shared jointly and severally by AJCA, National-All Jersey Inc. and All-Jersey Sales Corp. The Board of Directors of AJCA and NAJ 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 allocated share amounted to $0 and $44,993 at December 31, 2009 and 2008, respectively. The note was collateralized by AJCA's investment securities obtained from the proceeds of the sale of a former operating facility *(see Notes 4 and 8)*.

Note 6. Line of Credit

At December 31, 2009 and 2008, the AJCA has available a $100,000, due on demand, line of credit with interest payable monthly at prime (3.25% at December 31, 2009 and 2008) which expires July 2010. The line is collateralized by investments held by AJCA and NAJ (Note 8). No funds were drawn on the line as of December 31, 2009 or 2008.

Note 7. Capital Lease Obligations

The Association is a lessee of equipment under capital leases.

At December 31, the underlying equipment was reflected in the accompanying statements of financial position as follows:

	2009	2008
Operating equipment	$ 133,398	$ 133,398
Less accumulated amortization	(53,078)	(26,398)
	$ 80,320	$ 107,000

The Association pays monthly capital lease payments of $2,845, which expire during 2011 and 2013. Minimum future annual lease payments under capital leases as of December 31, 2009 in the aggregate are as follows:

Years Ending:	2010	$ 32,652
	2011	22,950
	2012	22,068
	2013	18,390
		96,060
Less amount representing interest		(12,293)
Present value of minimum lease payments		83,767
Less current portion		(26,898)
Noncurrent portion		$ 56,869

Note 8. Investments

Investments consisted of the following at December 31:

	2009	2008
Money market	$ 47,571	$ 48,408
Mutual funds	1,034,634	839,329
	$ 1,082,205	$ 887,737

Total investment income consists of the following at December 31:

	2009	2008
Interest and dividend income	$ 29,117	$ 31,812
Net unrealized gain (loss) on investments	195,305	(358,242)
Realized gain on investments	—	7,531
	$ 224,422	$ (318,898)

The investment income attributable to All American Show and Sale is as follows and has been reflected in the "Net gain (loss) from All American" on the statement of activities and in the above schedule.

	2009	2008
Interest	$ 1,740	$ 1,982
Net unrealized gain (loss) on investments	11,207	(20,931)
Realized gain on investments	—	413
	$ 12,947	$ (18,536)

Note 9. Fair Value Measurements

The Association follows the FASB guidance regarding fair value measurements. This guidance applies to all assets and liabilities that are being measured and reported at fair value. This guidance requires disclosure that establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Association performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. For the year ended December 31, 2009, the application of fair value techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

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

The table below presents the balances of assets measured at fair value on a recurring basis by level within that hierarchy:

December 31, 2009

Securities	Total	Level 1	Level 2	Level 3
Mutual Funds – Equity	$1,034,634	$1,034,634	$ —	$ —
Total Assets	$1,034,634	$1,034,634	$ —	$ —

December 31, 2008

Securities	Total	Level 1	Level 2	Level 3
Mutual Funds – Equity	$ 839,329	$ 839,329	$ —	$ —
Total Assets	$ 839,329	$ 839,329	$ —	$ —

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

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2009 and 2008 and the related consolidated statements of activities and changes in net assets, and cash flows for the year 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 audit 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, 2009 and 2008 and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

McGladrey & Pullen, LLP
Columbus, Ohio
April 26, 2010

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	$ 778,666	$ 811,205
Custodial cash	181,613	164,107
Investments	408,910	339,320
Accounts receivable, net	88,779	89,600
Interest receivable	1,910	2,341
Prepaid expenses	226	20,246
Deferred income taxes	—	4,600
Total current assets	1,460,104	1,431,419
PROPERTY AND EQUIPMENT		
Land	12,000	12,000
Building	87,256	87,256
Furniture and equipment	5,190	5,190
Software development	79,652	79,652
Vehicles	81,197	81,197
	265,295	265,295
Less accumulated depreciation and amortization	(199,475)	(185,984)
	65,820	79,311
OTHER ASSETS		
Deferred income taxes	—	200
	$1,525,924	$1,510,930

LIABILITIES AND NET ASSETS	2009	2008
CURRENT LIABILITIES		
Current portion of obligation under co-borrowing credit agreement (total balance of $0 and $52,933 at December 31, 2009 and 2008, respectively), portion borrowed by NAJ	$ —	$ 7,940
Accounts payable	4,204	22,271
Advances due to American Jersey Cattle Association	377,718	233,949
Fees due consignors	158,137	263,160
Accrued expenses	20,129	21,002
Advances and reserves for advertising	31,828	31,828
Deferred income	28,089	29,036
Total current liabilities	620,105	609,186
NONCURRENT LIABILITIES		
Accrued pension obligation due to American Jersey Cattle Association	102,025	136,758
	102,025	136,758
Total liabilities	722,130	745,944
NET ASSETS		
Unrestricted:		
Designated	173,055	127,055
Undesignated	630,739	637,931
Total net assets	803,794	764,986
	$1,525,924	$1,510,930

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2009 and 2008

	2009	2008
REVENUES		
Equity project fees	$ 644,571	$ 596,697
Commissions	275,365	397,442
Interest and dividend income	11,179	21,578
Other	4,936	7,243
Total revenues	936,051	1,022,960
COST OF OPERATIONS		
Salaries, service, and administrative	908,679	844,720
Field services	55,488	54,261
Bad debt expense	3,081	331
Depreciation and amortization	13,491	13,489
Interest	167	685
Total costs of operations	980,906	913,486
INCREASE IN NET ASSETS FROM OPERATIONS	(44,855)	109,474
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain (loss) on investments	69,958	(128,079)
Pension benefit (expense)	23,505	(104,214)
Total other income (expense)	93,463	(232,293)
CHANGE IN NET ASSETS BEFORE INCOME TAX AND EXPENDITURES FROM DESIGNATED NET ASSETS	48,608	(122,819)
INCOME TAX EXPENSE (BENEFIT)	5,800	(11,955)
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	42,808	(110,864)
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	4,000	10,000
Total expenditures from designated net assets	4,000	10,000
CHANGE IN NET ASSETS	38,808	(120,864)
NET ASSETS, beginning	764,986	885,850
NET ASSETS, ending	$ 803,794	$ 764,986

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.

Basis of Accounting. The consolidated financial statements of the Company have been prepared on the accrual basis of accounting.

Basis of Presentation. The Company is required to report information regarding its financial position, and activities according to three classes of net assets: restricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated assets for research and development which totaled $173,055 and $127,055 for 2009 and 2008, respectively.

Temporarily Restricted Net Assets: Temporarily restricted net assets result from timing differences between the receipt of funds or pledges of funds and the incurrence of the related expenditures. The Company reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If the donor restriction expires in the same fiscal year the gift is received, the Company reports the gift as a temporarily restricted contribution and as net assets released from restriction in the statement of activities. As of December 31, 2009 and 2008, there were no temporarily restricted net assets.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations must be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2009 and 2008, there were no permanently restricted net assets.

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.

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

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

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.

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

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 statement of activities.

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 $11,250 as of December 31, 2009 and 2008. Bad debt expense of $3,081 and $331 was recognized for 2009 and 2008, 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 2009 and 2008 include reimbursements of $124,858 and $117,640, respectively, paid to the Association for these jointly incurred costs.

NAJ and AJCA are obligated under a co-borrowing credit agreement (see Note 6). Under this co-borrowing credit agreement, NAJ is jointly and severally liable, along with AJCA, for the entire outstanding balance of the credit facility which was $0 and $52,933 as of December 31, 2009 and 2008, respectively. The portion of the total advance allocated to NAJ under the credit agreement has been recorded as "obligation under co-borrowing credit facility, portion borrowed by NAJ" in the accompanying statement of financial position.

Valuation of Long-Lived Assets. The Cooperative accounts for the valuation of long-lived assets under FASB guidance, which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net 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 reportable at the lower of the carrying amount or fair value, less costs to sell.

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

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

On January 1, 2009, the Association adopted the accounting standard 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. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. 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 tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At January 1, 2009 and December 31, 2009, there were no material unrecognized tax benefits identified or recorded as liabilities.

The Company files forms 990, 990-T and 1120 in the U.S. federal jurisdiction and the state of Ohio. With few exceptions, the Association is no longer subject to examination by the Internal Revenue Service for years before 2006.

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 $250,000. Cash equivalents and investments are maintained in trust accounts with a trust company. In addition, the Company maintains cash balances at financial institutions which may exceed the federally insured amounts. 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.

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	Estimated Useful Lives
Building	31 1/2 years
Furniture and equipment	10 years
Software development	15 years
Vehicles	3–5 years

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

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 $3,073 and $4,131 for the years ended December 31, 2009 and 2008, respectively.

Functional Allocation of Expenses: The costs of providing programs and activities have been summarized on a functional basis in Note 2. Accordingly, certain costs have been allocated among the programs and activities benefited.

Subsequent Events. The Company has evaluated subsequent events for potential recognition and/or disclosure through April 26, 2010, the date the financials were available to be issued.

Note 2. Functional Expenses

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

	2009	2008
National All-Jersey Equity program	$ 418,500	$ 386,999
Accounting, administration, general and field service	102,724	158,636
All-Jersey Sales (JMS)	436,177	472,065
Total cost of operations and pension expense (benefit)	$ 957,401	$1,017,700

Note 3. Advances and Reserves for Advertising

	December 31, 2009	2008
5% National - represents funds accumulated as a percentage of member advances to be applied to cost of national or regional advertising for benefit of all members	$31,828	$31,828

Note 4. Pension Plans

All eligible staff of National All-Jersey Inc. and Subsidiary who meet the eligibility requirements are included in the American Jersey Cattle Association Pension Plan (Plan). Effective December 31, 2002, the Board of Directors of AJCA froze the Plan. The Plan's administrator has not determined the amount required to fund the Plan if management would decide to terminate the Plan. The amount required to terminate the Plan could be in excess of the accrued pension obligations. The Plan covers substantially all employees 21 years of age or older hired prior to January 1, 2003, who had been employed for one year with at least 1,000 hours of service.

The Plan is administered by AJCA, the Plan sponsor. Required contributions, expense and pension liability for the Plan are allocated among AJCA and NAJ by the Board of Directors of AJCA. For the years ended December 31, 2009 and 2008, NAJ has included on its Statement of Activities pension plan benefit (expense) of $23,505 and $(104,214), respectively.

The amount of accrued pension obligation was $102,025 and $136,758 at December 31, 2009 and 2008, respectively. The accrued pension obligation is payable to AJCA.

The Company maintains a 401(k) plan covering substantially all employees, who have been employed for one year with at lease 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 2009 and 2008 amounted to $7,679 and $7,071, respectively.

Note 5. Designation of Net Assets

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

	2009	2008
Research and development: Increased annually on a discretionary basis. In 2009 and 2008, there were expenditures of $4,000 and $10,000, respectively, from the research and development of designated net assets.	$173,055	$127,055

Note 6. Obligation under Co-borrowing Credit Agreement

NAJ and AJCA are co-makers and, therefore, are both obligated under a co-borrowing credit agreement. The funds were used to finance the development of computer software and building improvements. Under this co-borrowing credit agreement, NAJ is jointly and severally liable, along with AJCA, for the entire outstanding balance of the credit facility which was $0 and $52,933 as of December 31, 2009 and 2008, respectively. Advances to NAJ under the credit agreement have been recorded as "obligation under co-borrowing credit agreement, portion borrowed by NAJ" in the accompanying statement of financial position. The long-term note requires monthly payments of $6,006 including interest at 5.0% through September 2009. The note was paid in full in September 2009.

Liability for this debt was shared jointly and severally by AJCA, National-All Jersey Inc. and All-Jersey Sales Corp. The Board of Directors of AJCA and NAJ 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 allocated share amounts to $0 and $7,940 at December 31, 2009 and 2008, respectively. The note was collateralized by AJCA's investment securities obtained from the proceeds of the sale of a former operating facility.

Note 7. Income Taxes

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

	2009		
	Federal	State and Local	Total
Current	$ —	$ 1,000	$ 1,000
Deferred	4,800	—	4,800
	$ 4,800	$ 1,000	$ 5,800

	2008		
	Federal	State and Local	Total
Current	$ (7,100)	$ (755)	$ (7,855)
Deferred	(4,100)	—	(4,100)
	$ (11,200)	$ (755)	$ (11,955)

Note 8. Line of Credit

At December 31, 2009 and 2008, the Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime (3.25% at December 31, 2009 and 2008) which expires July 2010. The line is collateralized by investment securities held by NAJ and American Jersey Cattle Association. No funds were drawn on the line at December 31, 2009 or 2008.

Note 9. Investments

Investments consisted of the following at December 31:

	2009	2008
Money market funds	$ 35,187	$ 35,555
Mutural funds	373,723	303,765
	$ 408,910	$ 339,320

	2009	2008
Interest and dividend income	$ 11,179	$ 21,578
Net realized and unrealized gain (loss) on investments	69,958	(128,079)
	$ 81,137	$(106,501)

Note 10. Fair Value Measurements

The Company follows the FASB guidance regarding fair value measurements. This guidance applies to all assets and liabilities that are being measured and reported at fair value. This guidance requires disclosure that establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. For the year ended December 31, 2009, the application of fair value techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

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

The table below presents the balances of assets measured at fair value on a recurring basis by level within that hierarchy:

	December 31, 2009			
Securities	Total	Level 1	Level 2	Level 3
Mutual Funds – Equity	$ 373,723	$ 373,723	$ —	$ —
Total Assets	$ 373,723	$ 373,723	$ —	$ —

	December 31, 2008			
Securities	Total	Level 1	Level 2	Level 3
Mutual Funds – Equity	$ 303,765	$ 303,765	$ —	$ —
Total Assets	$ 303,765	$ 303,765	$ —	$ —

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

Leading Indicators of Jersey Breed Growth and Improvement

	2009	1999	1989	Change ('09 v. '89)
Identification				
Animals recorded	95,557	62,812	53,709	77.9%
Animals transfered	16,047	22,643	26,940	– 40.4%
Performance Programs				
Herds enrolled	1,064	858	813	30.9%
Cows enrolled	131,102	88,928	55,514	136.2%
Production (AJCA lactations, 305-day, 2x, ME)				
Protein *(true protein)*	666	633	517	28.8%
Milk	18,498	16,088	13,956	32.5%
Fat	859	776	656	30.9%
Equity Investment	$ 644,571	$ 314,227	$ 183,659	251.0%
Jersey Marketing Service				
Gross for private treaty sales	$2,360,270	$3,333,933	$ 810,789	191.1%
Gross for public sales	$4,574,295	$5,506,341	$2,475,035	84.8%
Combined Net Assets	$2,468,508	$ 2,175,407	$1,707,289	44.6%

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