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

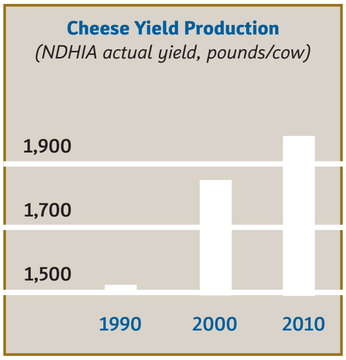
2010 Annual Report

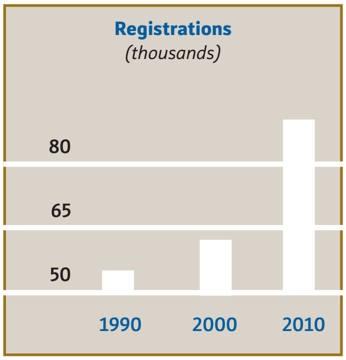
AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

Report to the Membership

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

I am pleased to report exceptional and sustained performance by the Jersey breed and your organizations in 2010.





- All-time record production per cow of 18,567 lbs. milk, 876 lbs. fat, 671 lbs. protein and 2,270 lbs. cheese yield (305-2x-m.e.), based on a record 88,727 lactations processed;
- 90,366 animals recorded, making 2010 the third consecutive year of over 90,000 registered;
- 142,254 JerseyTag units sold, second-best year in program history;
- 132,246 cows enrolled on performance programs, setting an all-time record for the fourth consecutive year;
- 888 herds and 127,545 cows enrolled on REAP, both new records;
- 81,461 appraised cows, second consecutive year over 80,000 scores;
- $655,512 in Equity revenue, an all-time record;
- Domestic semen sales of 1,940,795 units, plus another 1,131,909 units exported by NAAB members, both setting new records for the U.S. Jersey industry.

The AJCA and NAJ reported combined net income from operations of $28,944 as explained in the financial statements presented in this report. The companies have reported positive net income from operations in each of the past seven years, and for 13 of the past 15 years. The balance sheet of the organizations is strong with combined net assets of $2,591,403.

This exceptional and sustained performance by the Jersey breed and your organizations was driven by the vision of your leadership, to:

- Improve the productive capacity and profitability of Jersey cows in all operations;
- Promote the advantages of the Jersey breed everywhere, to producers, cooperatives, milk processors and cheesemakers to university educators, state and federal policymakers, and to the consumer of dairy products; and
- Increase the demand for and add to the value of Jersey milk, Jersey cattle and Jersey genetics—not just in our home market, but the world over.

Impacts of Genomic Selection

Significant investment of resources, both financial and personnel, have been made by the American Jersey Cattle Association and its members since 2005 to develop and utilize genomic selection tools.

Returns are now being measured through the added value of elite genetics. The 53rd Pot O'Gold Sale on November 6 featured 31 genomically tested and evaluated heifers and set new records for sale average ($4,796.77) and high-selling animal ($10,750). Jersey Marketing Service used the new 3K genomic test to screen over 100 heifers to select the 31 that were sold.

At the herd level, returns will be obtained as owners use genomic information to make more profitable mating and selection decisions earlier in their animals' lives. Whole genome selection is also being incorporated into the AJCA's breed-specific whole herd mating program, JerseyMate™.

Your elected leaders were keenly focused and working diligently on the equitable pricing of Jersey milk.

- Dairy policy issues were addressed and dealt with on multiple fronts throughout 2010, and your NAJ staff are fully engaged in the ongoing discussions and analysis that will lead up to the next Farm Bill.

- NAJ efforts to seek legislation increasing Federal fluid milk standards gained the unqualified support of the American Farm Bureau Federation, Western United Dairymen and northeast dairy cooperatives.
- The Queen of Quality® brand marketing program continued its growth, with breakthrough successes of producer–members winning major awards in national and international cheese competitions.

Impacts of Higher Minimum Standards for Fluid Milk

The campaign for better milk sold to U.S. consumers gained momentum in late September from the Food and Agricultural Policy Research Institute (FAPRI) study requested by U.S. Representatives Joe Courtney (CT), Devin Nunes (CA), Tim Walz (MN) and Peter Welch (VT), co-chairs of the House Dairy Farmer Caucus.

FAPRI analyzed the immediate and long-term impacts of fortifying 2%, 1% and fat-free milk at California standards.The price increase for consumers for a gallon of milk with more nutrients and better taste was estimated at about 17 cents—or about a penny per 8-ounce glass.

The estimated impact on farm milk prices was a 27-cent gain in the all-milk price for the first year, declining to about a dime over the 10-year projection period. Most importantly, the study estimated that an additional 350 million pounds of nonfat milk would be used to fortify fluid milk marketed in the U.S.

In response to the FAPRI report, NAJ President David Endres said, “More than the obvious benefit for farmers is the public good that can come from higher nutrition standards for milk. And, more protein and other nutrients make milk taste better. Ultimately, higher minimum standards will encourage people to drink more milk.”

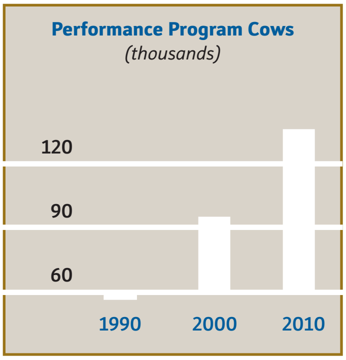
We introduced new tools and developed existing ones to support the success of your operations and help you build your businesses for the long term.

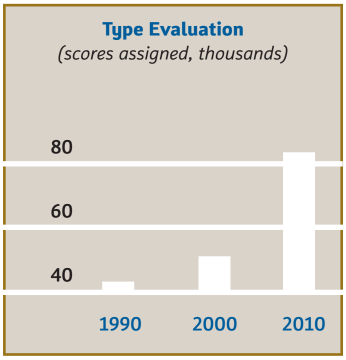
- The power of genomic technology became widely available and affordable. The Jersey 3K chip was released in August. By December, 610 early-adopting Jersey owners had official genomic evaluations for 3,006 cows and heifers. Separate reports for genomically evaluated females were developed and published in the *Jersey Genetic Summary* (“Green Book”). A weekly webinar was produced to explain how to read and use genomic reports. These programs also featured Q&As with research geneticists leading the development of genomic selection as well as Jersey owners using genomic testing in their herds.
- The Jersey Performance Index™ was updated last April based on the most extensive and intensive analysis of Jersey production, longevity and health data ever conducted. Relative emphasis among the “Big Four” factors related to lifetime net profitability in JPI_{2010} is now 57% production, 19% herd life, 14% udder health, and 10% fertility.
- Numerous updates were made to internet-based programs, so the Association could continue to provide more and better member service at the least possible cost.

The genomics evolution led to innovations and new records for national sales managed by Jersey Marketing Service.

- After 12 genotyped consignments led the National Heifer Sale to an all-time record average *($4,547.40, 48 lots)* and with introduction of the 3K genotyping chip in August, Jersey Marketing Service managed what is to our knowledge the first all-genotyped consignment sale in the industry. The 53rd Pot O’Gold Sale averaged $4,796.77 with a top of $10,750, both new records. In the All American Sale on November 7, 19 genotyped females sold for an average of $8,205.26, leading that sale to its second best average in history *($7,006.82)*.
- The total gross of public and private sales managed by JMS was $5,870,684. The three highest grossing auctions of 2010 were managed by JMS. The combined average price of $1,395.46 was unchanged from 2009.

Between two sales in 2010, three genotyped progeny of Pearlmont Impuls Daffy *(right)*, then ranked sixth on the Top 200 Genotyped Cows list, sold for a combined $128,700. Sunset Canyon Dominican-ET *(left)* set a record for high selling bull at U.S. public auction ($100,000) and a full sister *(center)* brought $19,500 at The All American Jersey Sale, November 7 in Louisville, Ky. Their older sister, Pearlmont Jimmie Dawn-ET, now VG-89% at 2 years, sold for $9,200 at the 53rd National Heifer Sale, June 26 in Oregon.





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

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.

The advantages of Jerseys were documented and vigorously promoted.

- A life-cycle assessment study funded by NAJ was completed. It showed that using Jersey milk rather than Holstein milk for manufacturing results in substantial reductions in water and land use, fuel consumption, waste output, and greenhouse gas emissions. Per unit of Cheddar cheese, Jersey's carbon footprint was shown to be 20% less than that of Holsteins, a fact that caught the attention of U.S. retailers as well as processors. Following the presentation of key findings on July 13 at the dairy and animal science meetings in Denver, Colo., the story ran on the July 16 front page of the influential industry newspaper, *Cheese Reporter*. The next week, it was grist for an insightful editorial by *Cheese Reporter's* publisher Dick Groves titled, "Sustainability, Changing Milk Use May Alter U.S. Dairy Herd."
- *Jersey Journal,* the only monthly publication in the world devoted to the Jersey breed and business, expanded editorial coverage to publish 1,072 pages, supported by 521 pages of purchased advertising. It also grew its reader base by introducing an online subscription service. Total subscribers at December 31 were 2,638.
- To cultivate international markets for U.S. Jersey genetics, our staff met with buyers and government delegations from Russia, Bangladesh, Indonesia, and Iraq, plus current and prospective Jersey owners from South American countries visiting in the U.S.

We can do more to provide more services that complement and exploit the advantages of the Jersey cow. Working together, I am confident we will do more.

For the last half-century, the AJCA and NAJ have focused on production, efficiency and equity in the marketplace, both for the superior nutrition and product yield of Jersey milk and for the value of Jersey cattle and Jersey genetics. Our programs and services are built on improving efficiency, achieving equity, and promoting profitability. As the record shows, they have been very effective.

Still, history tells us that we will have to do more to continue developing a more productive, efficient, and profitable Jersey cow and to find equitable pricing for the milk she produces. Current services will be reshaped to meet those needs, and new services will be needed. To that end, your elected leaders and your staff are constantly challenging themselves:

Do our policies, programs and services encourage and support the development of a more efficient Jersey cow?

Are we improving her fast enough so that commercial dairymen continue to regard the Jersey cow as the profitable choice for their businesses?

Do our marketing programs increase the value of and demand for Jersey milk, Jersey cattle and Jersey genetics?

Are we progressive minded enough to achieve our goal of changing the color of the dairy industry?

The current dairy economy leaves very little margin for profit. The Jersey cow fits today's dairy economy perfectly. The current dairy economy is a great opportunity for the Jersey cow. Today is the day for the Jersey cow.

Executive Secretary and Chief Executive Officer

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

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

2002 DHIR lactation average increases to 18,039 lbs. milk, 823 lbs. fat and 641 lbs. protein. Rules are expanded to allow use of approved 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 program completes its 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. Commercial genotyping test (Illumina BovineSNP50 chip) released.

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

2009 Registrations of 95,557 break all-time record set previous year. Campaign to raise Federal standards for fluid milk undertaken by joint resolution of NAJ and AJCA Boards. Investment in Project Equity since 1976 surpasses $8 million. Jersey genomic evaluations become official. Record established for linear type evaluation program with 83,431 scores assigned. Inaugural Jersey Youth Academy conducted.

2010 Registrations exceed 90,000 for a third consecutive year. NAAB reports combined domestic and export Jersey semen sales exceed 3 million units for first time in history. Production increases to 18,567 lbs. milk, 876 lbs. fat, and 671 lbs. protein, 2,270 lbs. cheese yield, on a record 88,727 lactations. Performance program enrollment achieves fourth consecutive year-over-year record at 132,246 cows. New records also established for REAP with 127,545 cows in 888 herds. 3K genomic test released in August, with evaluations becoming official in December. Pot O'Gold Sale is first auction of any breed featuring entirely genotyped offering and sets record average of $4,796.77. Record average also set at the 53rd National Heifer Sale, $4,411.67. Ratliff Price Alicia becomes first cow selected National Grand Champion for three consecutive years. Record revenue of $655,512 received for Equity program. NAJ-funded study determines that Cheddar cheese made from Jersey milk has a 20% lower carbon footprint compared to that made from U.S. average milk.

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 $28,944 for the year ended December 31, 2010.

American Jersey Cattle Association

Revenues	$ 2,726,637
Expenditures	$ 2,549,210
Net Income from Operations (Before All American and Other Income and Expense)	$ 177,427

National All-Jersey Inc. and Subsidiary

Revenues	$ 904,827
Expenditures	$ 1,053,310
Net Loss from Operations	$ (148,483)

NAJ and AJSC reported a combined net loss; however, NAJ reported a positive net income from operations of $72,148.

Program participation remained strong in many service areas throughout 2010. Combined revenues are as follows:

Identification Services	36%
Performance Services	19%
Jersey Journal	14%
Equity	17%
Cattle Marketing Services	6%
Other	8%

The organizations' marketable securities are reported at market value of $1,649,479. Due to the increase in market values compared to 2009, an unrealized gain was recorded at December 31, 2010 to reflect the variance in cost versus fair market value of the companies' investments.

The companies reported net assets at December 31, 2010 of:

American Jersey Cattle Association	$ 1,910,646
National All-Jersey Inc. and Subsidiary	$ 680,757
Total (combined) Net Assets	$ 2,591,403

The AJCC Research Foundation reported net assets of $1,505,274 at year-end December 31, 2010. The Research Foundation, along with funding from NAJ supported six projects totaling $42,250. The scholarship funds administered by the AJCA awarded 10 scholarships totaling $17,500. Total combined net assets in the scholarship funds as of December 31, 2010 were $365,300. Net assets held in the Jersey Youth Academy Fund at December 31, 2010 were $94,202.

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, 2010.

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, 2010 and 2009, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010 and 2009 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
May 10, 2011

AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	**$ 518,564**	$ 268,274
Investments	**224,562**	203,873
Accounts receivable, net	**314,600**	300,186
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	**287,511**	377,718
Supplies and inventories	**23,506**	19,137
Prepaid expenses and other assets	**77,262**	64,239
Total current assets	**1,446,005**	1,233,427
PROPERTY AND EQUIPMENT		
Land	**68,000**	68,000
Building	**494,448**	494,448
Operating equipment	**1,430,072**	1,456,281
Software development	**540,379**	540,379
	2,532,899	2,559,108
Less accumulated depreciation and amortization	**(2,065,826)**	(1,961,726)
Total property and equipment, net	**467,073**	597,382
OTHER ASSETS		
Investments	**974,511**	878,332
Advances due National All-Jersey Inc. and All-Jersey Sales Corporation	**67,123**	102,025
Total other assets	**1,041,634**	980,357
	$2,954,712	$ 2,811,166

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES		
Current portion of capital lease obligations	**$ 19,319**	$ 26,898
Current portion of unexpired subscriptions and directory listings	**21,090**	44,941
Accounts payable	**114,667**	128,047
Accrued expenses	**69,375**	49,356
Awards, The All American Show & Sale	**56,684**	53,653
Awards, National Jersey Jug Futurity	**15,095**	19,052
Unearned fees and remittances	**301,196**	298,246
Total current liabilities	**597,426**	620,193
NONCURRENT LIABILITIES		
Capital lease obligations, net of current portion	**37,550**	56,869
Unexpired subscriptions and directory listings, net of current portion	**36,174**	37,955
Accrued pension obligation	**372,916**	431,435
	446,640	526,259
Total liabilities	**1,044,066**	1,146,452
NET ASSETS		
Unrestricted:		
Designated	**1,122,089**	1,034,543
Undesignated	**788,557**	630,171
Total net assets	**1,910,646**	1,664,714
	$2,954,712	$ 2,811,166

See Notes to the Financial Statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2010 and 2009

	2010	2009
REVENUES		
Fees	**$2,161,790**	$2,017,437
Jersey Journal advertising and subscriptions	**508,845**	506,800
Interest and dividend income	**24,812**	27,377
Other	**31,190**	26,421
Total revenues	**2,726,637**	2,578,035
COST OF OPERATIONS		
Salaries, service, and administrative	**2,009,821**	1,959,797
Jersey Journal publishing	**420,518**	436,627
Depreciation and amortization	**136,225**	135,603
Interest expense	**5,146**	7,381
Total cost of operations	**2,571,710**	2,539,408
INCREASE IN NET ASSETS FROM OPERATIONS	**154,927**	38,627
OTHER INCOME (EXPENSE)		
Net gain (loss) from The All American Show and Sale	**19,687**	(11,474)
Net unrealized gain on investments	**109,805**	184,098
Realized gain on investments and property and equipment	**4,160**	3,091
Net periodic pension cost	**(55,464)**	(81,750)
Total other income (expense)	**78,188**	93,965
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**233,115**	132,592
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	**8,632**	775
Total expenditures from designated net assets	**8,632**	775
CHANGE IN NET ASSETS BEFORE EFFECT OF POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COST	**224,483**	131,817
POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC PENSION COST	**(21,449)**	(187,146)
CHANGE IN NET ASSETS	**245,932**	318,963
NET ASSETS, beginning	**1,664,714**	1,345,751
NET ASSETS, ending	**$1,910,646**	$1,664,714

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.

Basis of presentation. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The Association is required 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 $974,510 and $147,579 for 2010 and $878,332 and $156,211 for 2009, 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, 2010 and 2009, 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, 2010 and 2009, 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.

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.

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.

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

Accounts receivable. AJCA extends unsecured credit to members under normal terms. Unpaid balances begin accruing interest 30 days after the invoice date at a rate of 1½% 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 $55,000 and $60,000 as of December 31, 2010 and 2009, respectively. The estimate is based upon management's review of delinquent accounts and an assessment of the Association's historical evidence of collections. Bad debt expense of $30,437 and $19,519 was recognized for the years ended December 31, 2010 and 2009, respectively, as a result of this estimate. Specific accounts are charged directly to the reserve when management obtains evidence of a member's insolvency or otherwise determines that the account is uncollectible.

Valuation of long-lived assets. The Association reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

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 2010 and 2009, these activities include primarily magazine advertising. Income tax expense for 2010 and 2009 amounted to $17,260 and $11,560, respectively, and is included in Jersey Journal publishing expense on the statement of activities and changes in net assets.

The Association follows Financial Accounting Standards Board (FASB) guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Association has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Examples of tax positions include the tax-exempt status of the Association, and various positions related to the potential sources of unrelated business taxable income (UBIT). The Company files tax returns in all appropriate jurisdictions. For the years ended December 31, 2010 and 2009, management has determined that there are no material uncertain tax positions. The Association files Forms 990 and 990T in the U.S. federal jurisdiction. With few exceptions, the Association is no longer subject to examination by the Internal Revenue Service for years before 2007.

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

AJCA's trade receivables result from registrations and related fees due from members who are located 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 a noncancellable lease which is accounted for as a capital lease. The asset and liability under a capital lease is recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is 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 $124,288 and $102,358 for 2010 and 2009, 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, 2010 or 2009.

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, net periodic benefit cost, and postretirement changes other than net periodic pension costs 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, 2010 and 2009 of $67,123 and $102,025, 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 $14,876 and $19,077 for the years ended December 31, 2010 and 2009, respectively.

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

Subsequent events. The Association has evaluated subsequent events for potential recognition and/or disclosure through May 10, 2011, 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:

	2010	2009
Records	$ 550,445	$ 458,048
Data processing	297,342	273,401
Performance	552,096	508,721
Jersey Journal	419,743	435,867
Information	117,568	113,039
Field	364,984	359,513
Accounting, administration, and general	303,547	285,423
Total cost of operations	$ 2,605,725	$ 2,434,012

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:

	2010	2009
Pension benefit obligations		
Balance, beginning of year	$ 1,456,582	$ 1,434,262
Interest cost	79,553	76,860
Actuarial loss	92,825	21
Benefits paid	(57,142)	(54,561)
Balance, end of year	1,571,818	1,456,582
Plan Assets		
Fair value, beginning of year	1,025,147	773,926
Actual returns on Plan assets	130,897	205,782
Employer contributions	100,000	100,000
Benefits paid	(57,142)	(54,561)
Fair value, end of year	1,198,902	1,025,147
Accrued pension obligation	$ 372,916	$ 431,435

Assumptions used in the accounting as of December 31:

	2010	2009
Discount rate	5.15%	5.49%
Long-term rate of return	7.50%	7.50%

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

	2010	2009
Interest cost	$ 79,553	$ 76,860
Actual return on Plan assets	(130,897)	(250,782)
Actuarial loss	92,825	21
Total pension (benefit) expense	41,481	(128,901)
Less pension benefit (expense) of NAJ and Subsidiary	(7,466)	23,505
Pension (benefit) expense of AJCA	$ 34,015	$ (105,396)

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

	2010	2009
Unrecognized net loss	$ 67,000	$ 63,000

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 Association takes into account long-term rates of return 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 by asset category:

December 31, 2010

Asset Category	Total	Level 1	Level 2	Level 3
Equity securities:				
U.S. large-cap	$ 59,348	$ –	$ 59,348	$ –
U.S. large-cap growth	118,978	–	118,978	–
U.S. large-cap value	119,358	–	119,358	–
U.S. small-cap	118,388	–	118,388	–
International large-cap value	96,685	–	96,685	–
International large-cap growth	48,009	–	48,009	–
Fixed income mutual funds:				
Government	72,105	–	72,105	–
Natural resources	96,888	–	96,888	–
Intermediate	204,790	–	204,790	–
Inflation indexed	120,433	–	120,433	–
Multi sector	143,920	–	143,920	
Total Assets	$ 1,198,902	$ –	$ 1,198,902	$ –

December 31, 2009

Asset Category	Total	Level 1	Level 2	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 mutual funds	464,528	–	464,528	–
Total Assets	$ 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:

2011	$ 60,233
2012	$ 60,495
2013	$ 69,964
2014	$ 71,209
2015	$ 79,754
Years 2016 - 2020	$ 401,836

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 2010 and 2009 amounted to $24,186 and $22,147, respectively.

Note 4. Designation of Net Assets

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

	2010	2009
Building - established with original proceeds from sale of former operating facility; invested in securities (see Note 8)	$ 974,510	$ 878,332
Research and development - increased annually on a discretionary basis	147,579	156,211
	$ 1,122,089	$ 1,034,543

In 2010 and 2009, there were expenditures of $8,632 and $775, respectively, from the research and development designated net assets.

Note 5. Line of Credit

At December 31, 2010 and 2009, the AJCA has available a $100,000, due on demand, line of credit with interest payable monthly at prime (3.25% at December 31, 2010 and 2009) which expires July 2011. The line is collateralized by investments held by AJCA and NAJ (Note 7). No funds were drawn on the line as of December 31, 2010 or 2009.

Note 6. Capital Lease Obligations

The Association is a lessee of equipment under capital leases which expire in 2011 and 2013.

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

	2010	2009
Operating equipment	$ 133,398	$ 133,398
Less accumulated amortization	(79,757)	(53,078)
	$ 53,641	$ 80,320

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:	2011	$ 22,950
	2012	22,068
	2013	18,390
		63,408
Less amount representing interest		(6,539)
Present value of minimum lease payments		56,869
Less current portion		(19,319)
Noncurrent portion		$ 37,550

Note 7. Investments

Investments consisted of the following at December 31:

	2010	2009
Money market	$ 48,029	$ 47,571
Mutual funds	1,151,044	1,034,634
	$ 1,199,073	$ 1,082,205

Total investment income consists of the following at December 31:

	2010	2009
Interest and dividend income	$ 26,410	$ 29,117
Net unrealized gain on investments	116,410	195,305
	$ 142,820	$ 224,422

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

	2010	2009
Interest	$ 1,598	$ 1,740
Net unrealized gain on investments	6,605	11,207
	$ 8,203	$ 12,947

Note 8. Fair Value Measurements

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

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

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

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

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

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

The following tables set forth by level within the fair value hierarchy the Association's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2010 and 2009. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The tables do not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

December 31, 2010

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap growth	$ 382,879	$ 382,879	$ –	$ –
U.S. mid-cap	169,871	169,871	–	–
International	49,967	49,967	–	–
Balanced mutual funds	229,036	229,036	–	–
Fixed income mutual funds:				
Government	91,404	91,404	–	–
High-yield	85,662	85,662	–	–
Intermediate	142,225	142,225	–	–
Total Assets	$1,151,044	$1,151,044	$ –	$ –

December 31, 2009

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 515,272	$ 515,272	$ –	$ –
Balanced mutual funds	210,045	210,045	–	–
Fixed income mutual funds	309,317	309,317	–	–
Total Assets	$1,034,634	$1,034,634	$ –	$ –

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

Independent Auditor's Report

We have audited the accompanying consolidated statements of financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2010 and 2009, and the related consolidated statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2010 and 2009 and the changes in their net assets and their 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
May 10, 2011

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	**$ 348,836**	$ 778,666
Custodial cash	**191,020**	181,613
Investments	**450,406**	408,910
Accounts receivable, net	**87,991**	88,779
Interest receivable	**2,167**	1,910
Prepaid expenses	**8,999**	226
Total current assets	**1,089,419**	1,460,104
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	**(209,517)**	(199,475)
Total property and equipment, net	**55,778**	65,820
	$1,145,197	$1,525,924
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 4,310**	$ 4,204
Advances due to American Jersey Cattle Association	**287,511**	377,718
Fees due consignors	**25,709**	158,137
Accrued expenses	**20,747**	20,129
Advances and reserves for advertising	**31,828**	31,828
Deferred income	**27,212**	28,089
Total current liabilities	**397,317**	620,105
NONCURRENT LIABILITIES		
Accrued pension due to American Jersey Cattle Association	**67,123**	102,025
	67,123	102,025
Total liabilities	**464,440**	722,130
NET ASSETS		
Unrestricted:		
Designated	**164,739**	173,055
Undesignated	**516,018**	630,739
Total net assets	**680,757**	803,794
	$1,145,197	$1,525,924

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2010 and 2009

	2010	2009
REVENUES		
Equity project fees	**$ 655,512**	$ 644,571
Commissions	**217,822**	275,365
Interest and dividend income	**10,101**	11,179
Other	**21,392**	4,936
Total revenues	**904,827**	936,051
COST OF OPERATIONS		
Salaries, service, and administrative	**942,495**	908,679
Field services	**79,047**	55,488
Bad debt expense	**21,726**	3,081
Depreciation and amortization	**10,042**	13,491
Interest expense	**—**	167
Total costs of operations	**1,053,310**	980,906
CHANGE IN NET ASSETS FROM OPERATIONS	**(148,483)**	(44,855)
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain on investments	**41,228**	69,958
Pension benefit (expense)	**(7,466)**	23,505
Total other income	**33,762**	93,463
CHANGE IN NET ASSETS BEFORE INCOME TAX AND EXPENDITURES FROM DESIGNATED NET ASSETS	**(114,721)**	48,608
INCOME TAX EXPENSE	**—**	5,800
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**(114,721)**	42,808
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	**8,316**	4,000
Total expenditures from designated net assets	**8,316**	4,000
CHANGE IN NET ASSETS	**(123,037)**	38,808
NET ASSETS, beginning	**803,794**	764,986
NET ASSETS, ending	**$ 680,757**	$ 803,794

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 financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The Company is required 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 research and development which totaled $164,739 and $173,055 for 2010 and 2009, 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 statement 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, 2010 and 2009, 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, 2010 and 2009, 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.

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 and changes in net assets.

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

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

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

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

Accounts receivable. JMS extends credit to buyers of cattle at public auction sales. JMS typically does not pay sellers of cattle until collection from buyers has occurred for dispersal auction sales, per the sales contract. JMS typically guarantees payment to consignors of public consignment auction sales based on the selling price of the consignment. Accounts receivable are reflected at their billed amount. Management estimated an allowance for doubtful accounts, which was $11,250 as of December 31, 2010 and 2009. Bad debt expense of $21,726 and $3,081 was recognized for 2010 and 2009, 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 2010 and 2009 include reimbursements of $124,288 and $102,358, respectively, paid to the Association for these jointly incurred costs.

Valuation of long-lived assets. The Company reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

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

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

The Company follows FASB guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Examples of tax positions include the tax-exempt status of NAJ, and various positions related to the potential sources of unrelated business taxable income (UBIT). The Company files tax returns in all appropriate jurisdictions. For the years ended December 31, 2010 and 2009, management has determined that there are no material uncertain tax positions.

The Company files forms 990, 990-T and 1120 in the U.S. federal jurisdiction. With few exceptions, the Company is no longer subject to examination by the Internal Revenue Service for years before 2007.

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

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

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

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

Class of Assets	Useful Lives
Building	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 $14,453 and $18,481 for the years ended December 31, 2010 and 2009, 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 May 10, 2011, 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:

	2010	2009
National All-Jersey Equity program	$ 441,859	$ 414,500
Accounting, administration, general and field service	162,836	102,724
All-Jersey Sales (JMS)	456,081	440,177
Total cost of operations and pension expense (benefit)	$1,060,776	$ 957,401

Note 3. Advances and Reserves for Advertising

	December 31, 2010	2009
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, 2010 and 2009, NAJ has included on its statement of activities pension plan (expense) benefit of $(7,467) and $23,505, respectively.

The amount of accrued pension obligation was $67,123 and $102,025 at December 31, 2010 and 2009, 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 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 2010 and 2009 amounted to $7,608 and $7,679, respectively.

Note 5. Designation of Net Assets

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

	2010	2009
Research and development: Increased annually on a discretionary basis. In 2010 and 2009, there were expenditures of $8,316 and $4,000, respectively, from the research and development of designated net assets.	$ 164,739	$ 173,055

Note 6. Income Taxes

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

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

Deferred Tax Assets	2010	2009
Provision for doubtful accounts	$ 1,900	$ 1,900
Net operating Loss	66,000	28,800
Depreciation and amortization	200	100
Gross deferred tax assets	68,100	30,800
Less valuation allowance	(68,100)	(30,800)
Net deferred tax assets	$ –	$ –

For the years ended December 31, 2010 and 2009, AJSC incurred net operating losses and, accordingly, no provision for federal income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. The valuation allowance was initially established during the year ended December 31, 2009. As a result, deferred income tax expense of $4,800 was recognized. At December 31, 2010, the Company had approximately $388,000 of federal net operating losses. The net operating loss carryforwards, if not utilized, will begin to expire in 2028.

For the years ended December 31, the provision for income taxes consisted of the following:

	2010		
	Federal	State and Local	Total
Current	$ –	$ –	$ –
Deferred	–	–	–
	$ –	$ –	$ –

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

Note 7. Line of Credit

At December 31, 2010 and 2009, the Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime (3.25% at December 31, 2010 and 2009) which expires July 2011. 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, 2010 or 2009.

Note 8. Investments

Investments consisted of the following at December 31:

	2010	**2009**
Money market	$ 35,455	$ 35,187
Mutual funds	414,951	373,723
	$ 450,406	$ 408,910

Total investment income consists of the following at December 31:

	2010	**2009**
Interest and dividend income	$ 10,101	$ 11,179
Net realized and unrealized gain on investments	41,228	69,958
	$ 51,329	$ 81,137

Note 9. Fair Value Measurements

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

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

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

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

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

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

The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2010 and 2009. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

December 31, 2010

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap growth	$ 131,581	$ 131,581	$ –	$ –
U.S. mid-cap	57,859	57,859	–	–
International	17,188	17,188	–	–
Balanced mutual funds	99,739	99,739	–	–
Fixed income mutual funds:				
Government	31,628	31,628	–	–
High-yield	29,642	29,642	–	–
Intermediate	47,314	47,314	–	–
Total Assets	$ 414,951	$ 414,951	$ –	$ –

December 31, 2009

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 176,681	$ 176,681	$ –	$ –
Balanced mutual funds	91,849	91,849	–	–
Fixed income mutual funds	105,193	105,193	–	–
Total Assets	$ 373,723	$ 373,723	$ –	$ –

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

LEADING INDICATORS OF JERSEY BREED GROWTH AND IMPROVEMENT

	2010	2000	1990	Change ('10 v. '00)
Identification				
Animals recorded	90,366	63,776	53,547	68.8%
Animals transfered	16,799	20,691	26,851	–37.4%
Performance Programs				
Herds enrolled	1,059	918	842	25.8%
Cows enrolled	132,246	92,369	58,856	124.7%
Production *(AJCA lactations, 305-day, 2x, ME)*				
Protein	671	654	524	28.1%
Milk	18,567	17,680	14,091	31.8%
Fat	876	807	662	32.3%
Equity Investment	$ 655,512	$ 338,247	$ 189,380	246.1%
Jersey Marketing Service				
Gross for private treaty sales	$1,594,349	$3,190,317	$1,507,300	5.8%
Gross for public sales	$4,276,335	$6,617,370	$4,401,484	–2.8%
Combined Net Assets	$2,591,403	$2,097,176	$1,848,851	40.2%

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