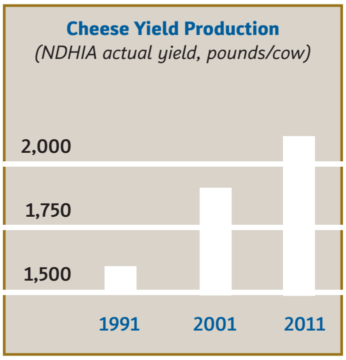
AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

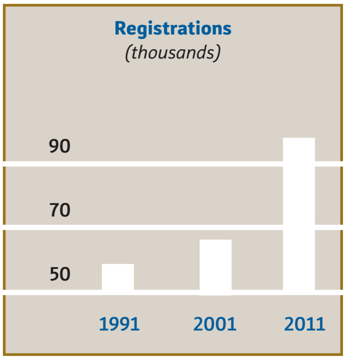
2011 Annual Report

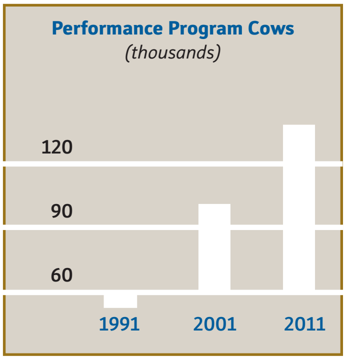
AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

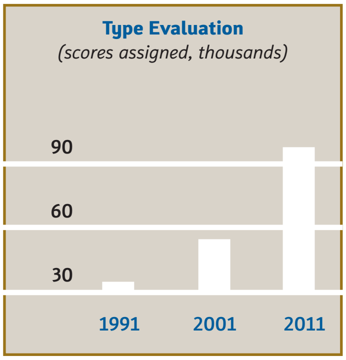
Report to the Membership

"The organizations that maintain a significant influence are those that adapt to a changing environment without losing their essence. Entities that resist change, rather than understand the change and constantly reinvent themselves within the new context, inevitably lose their impact and die."









This is my twelfth report to you as Executive Secretary and CEO of the American Jersey Cattle Association and National All-Jersey Inc. Every aspect of our lives, our communities and country, and the world in which we live has profoundly changed in these twelve years. Some of these changes have been to the advantage of the Jersey breed and your businesses, others not.

Your organizations have flourished in this changing environment, as the record of 2011 demonstrates. One reason is that the Jersey cow is capable and ready to meet the core demands of change—productivity, efficiency, and sustainability. The other is that your organizations have never lost sight of the essential functions that support their collective mission to improve and promote the Jersey breed, and increase the value of and demand for Jersey milk, Jersey cattle and Jersey genetics. What we do—for you, with you, and in concert with industry partners—is identify, measure, evaluate, publicize, market, invest, and educate.

These are the accomplishments for the year ended December 31, 2011.

- All-time record production per cow of 18,633 lbs. milk, 889 lbs. fat, 676 lbs. protein and 2,294 lbs. cheese yield (305-2x-m.e.), based on a record 91,028 lactations processed;
- All-time record registrations of 96,174 animals, also making 2011 the fourth consecutive year of over 90,000 registered;
- All-time record of 168,934 JerseyTag units sold;
- All-time record of 137,999 cows enrolled on performance programs, extending the span of record growth to five consecutive years;
- All-time records of 907 herds and 132,915 cows enrolled on REAP, our package of cost-effective, profit-oriented business services;
- All-time record of 94,045 appraised cows; and
- All-time record of $705,966 in Equity revenue, from 1,006 NAJ members.

Analysis by unbiased agencies is bringing to light just how much Jerseys have to offer milk producers and their bottom line. The California Department of Food and Agriculture just released the 2011 annual cost of production summary. Last year the average mailbox price for Holstein milk was $17.86, and the cost of production was $15.39, for a net income of $2.47 per cwt. The average Jersey mailbox price was $21.19 with average costs of $17.49, for a net income of $3.70 per cwt., nearly 50% greater.

The color of the U.S. dairy industry is changing—and will continue to change. Today, we estimate that the Jersey population is 8.1% of the total U.S. milk cow population, or 750,000 cows. A leading indicator of Jersey breed growth—market share of domestic semen sales—increased to 9.7% in 2011. Domestic semen sales grew 12.1% to set an all-time record at 2.2 million units. Combined with export sales, NAAB members sold a record 3.3 million units in 2011, 7.3% more than the previous year.

Impressive gains were recorded in the area of breed improvement. Comparing the

Jersey cows born in 2009 to those born in 1999, productive capacity has increased by 1,597 lbs. milk, 104 lbs. fat and 71 lbs. protein. Analysis of genetic trend across functional type traits also reveals continuous improvement, especially for udder traits.

Genotyping and genomic evaluations had impacts in many areas during the year. 5,759 females were genotyped in 2011, bringing the historical total for females to 11,488 *(962 owners)*. Genotypes were also in the database for 5,364 males, setting the stage for developments to JerseyMate™.

22% of animals registered in 2011 were sired by genomically evaluated bulls with no daughter proofs (in progeny test programs, designated by NAAB marketing code G). For December evaluations, the number of code G bulls (154) exceeded active A.I. bulls (134), as did their average genetic merit across production, longevity and fertility traits.

Research using genomic information identified a genetic factor affecting fertility. The AJCA Board acted swiftly to declare Jersey Haplotype 1 (JH1) an undesirable genetic factor, to provide procedures for accurate testing, and to engage in a positive program of education.

2012 Objectives of National All-Jersey Inc.

- To the extent possible, be involved in efforts examining Federal milk marketing order and Farm Bill safety net alternatives.
- Continue work to raise the national minimum nonfat solids standards for fluid milk to meet existing California levels.
- Recruit research opportunities and promote research that demonstrates the value of high solids milk and the efficiency and sustainability of Jerseys.
- In the All-Jersey® and Queen of Quality® brand programs, enroll new producers and distributors, expand services provided and support, and develop and promote new products using Jersey milk.
- Look for and advance market arrangements, voluntary and regulated, that obtain or improve Multiple Component Pricing (MCP) for producers currently not receiving MCP or sub-standard MCP pricing.
- Develop economic analyses that promote increased use of Jersey genetics.
- Produce timely communications including Weekly Market Update, Milk and Component Outlook, Equity Newsletter and *Jersey Journal* articles.

Genotyping was adopted as the official method of parentage qualification.

Jersey Marketing Service had a very good year in a tough economy. The total gross from public and private sales managed in 2011 by JMS was $8,687,865, eighth-high in history, on the fourth-high volume ever of 6,413 lots.

JMS managed five of the top 10 public sales ranked by average price. The top three, in order, were The All American Jersey Sale, $6,474.62 on 65 lots; the 54th Pot O'Gold Sale, for the second time offering an all-genotyped group of 33 heifers at $4,568.18; and the all-donation, all-genotyped National Heifer Sale, 72 lots averaging $4,247.92.

Five sales managed by JMS grossed over $325,000. The 1,314 animals sold in the two-day K&K Dispersal, Newton, Wis., generated receipts of $1,648,355, establishing a new company record for single sale gross.

The Vision Gift campaign for the endowment of Jersey Youth Academy exceeded its $250,000 goal at the National Heifer Sale on June 22, because not only were established breeders paying it forward, Academy students were also paying it back. The bidding for the Gold Halter was won at $27,000 by Sexing Technologies Inc., which took Will-Do Valentino Wannabe-Twin, a heifer donated by sisters Erica and Amber Ettinger. Amber, second from left, was a member of the first Academy class. Selected for the second class held in 2011, Tommy Allen donated the heifer for Cow Pie Bingo that was re-donated by winner Richard Clauss to the National Heifer Sale. Total proceeds from this activity were $6,720.

Monthly online auctions started in February on our custom-built online auction site, JerseyBid.com, paving the way for the 2012 introduction of Jersey Auction Live.

Producer owned and governed, JMS has marketed 66,118 lots for a total gross of $104.8 million from 2000 to December 31, 2011.

National All-Jersey Inc. was fully engaged and effective in Farm Bill discussions. After months of analysis, discussion and debate, the legislation introduced as H.R. 3062, the Dairy Security Act of 2011, retained regulated multiple component pricing in Federal Orders. Going forward, NAJ will continue to support policy that Federal Order changes be handled through the formal rule-making process already in place with USDA and not legislative action.

Three years in, the Queen of Quality® program may be small with

27 members in 17 states at December 31, but it has great up-potential. It arrived at the right time for the producers entering added-value, direct consumer marketing with 100% Jersey milk products. Early adopters included long-established fluid milk producer High Lawn Farm in Massachusetts and some of the best artisanal cheesemakers in the world. Their continuing use of the Queen of Quality® label attests to its benefits and is a powerful incentive for other producers to sign up.

Our staff organized the second North American Jersey Cheese Awards in conjunction with the AJCA-NAJ Annual Meetings in Wisconsin last June. The quality of the 77 cheeses, butters and yogurts entered by 24 producers from 16 states impressed the international-level judging panel. Said Kate Arding, co-founder of the acclaimed Culture magazine, “The range of styles of cheese showed imagination and innovation and oftentimes even if the cheese needed further work, they were headed in the right direction, all of which is really encouraging for the future.” Queen of Quality® members took Best of Show and third Best of Show honors, plus many top medals.

We found as many ways as possible to share the stories and successes of Jersey owners, promote the Jersey brand, and educate the world about the Jersey cow. First among our resources is *Jersey Journal,* the only monthly publication in the world devoted to the Jersey breed and business. While the magazine must always cover the gamut of what happens across any year, genetics and marketing took center stage in 2011. A total of 1,116 pages, supported by 525 pages of purchased advertising, were published. Total print and digital edition subscribers at December 31 were 2,638.

Contributing also to these efforts are programs like “This Month in Jersey Genomics,” our presence at major industry trade shows such as World Dairy Expo, and production of The All American Jersey Shows and Sales, three days of all Jerseys, all the time during the North American International Livestock Exposition.

To accomplish all of these activities, your organizations must have financial strength. The AJCA and NAJ reported combined net income from operations of $177,800 as explained in the financial statements presented in this report. The companies have reported positive net income from operations for the past eight years. The balance sheet of the organizations is strong with combined net assets of $2,387,167.

It is fitting to close the report on 2011 by reviewing the investments that were made for the future. In four short years, genomics has generated profound change in the breeding and improvement of dairy cattle. Through December 31, your organizations have spent $196,739 to ensure that genomic technology and accurate evaluations would be available to Jersey owners, and will spend just over $50,000 more in 2012. I am confident that history will someday rank this investment alongside Project Equity in its impact on the breed and these organizations.

Likewise Jersey Youth Academy. To all those who made a Vision Gift to the 2011 campaign, “Thank You.” To all those who during the year made a donation to Academy, at whatever level, “Thank You.” We have long needed this program to educate and encourage young people to enter the Jersey business, and with your financial support it is now a reality.

The leadership of the American Jersey Cattle Association and National All-Jersey Inc. see a bright future for the Jersey breed, founded on services that identify, measure, evaluate, publicize, market, invest, and educate. We look forward to working with you as we go forward.

Neal Smith

Executive Secretary and Chief Executive Officer

From our first dot-com presence at USJersey.com, we have acquired and developed 10 more unique web sites that support your businesses and promote “the Jersey brand.” These include infoJersey, the portal to AJCA Herd Services, including online registration, Herd View and JerseyMate™; the Green Book Online for genetic evaluations; two sites for Jersey Journal, one to deliver its digital edition, plus JerseySites development services from Jersey Journal; branded promotion at Queen of Quality; a site dedicated to Jersey Youth Academy; and, of course, the Jersey Marketing Service catalog and online auction sites, Jersey Bid and Jersey Auction Live. For the first time in 2011, we reached new audiences through the social media site, Facebook, while our educational videos were fed through Vimeo.

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

Development
Cherie L. Bayer, Ph.D.

Field Service
Kristin Paul

Jersey Journal
Kimberly A. Billman

Research and Genetic Development
Cari W. Wolfe

Jersey Marketing Service
Jason Robinson

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 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, and All American Junior Show largest in history at 333 head shown.

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 updated. 2010 goal of 90,000 registrations adopted.

2007 First 2,500-lb. fat record (Norse Star Hallmark Bootie). Mainstream Jerseys becomes first Jersey herd to average over 30,000 lbs. milk per cow. 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 set all-time record. 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. First North American Jersey Cheese Awards conducted. Inaugural class of Jersey Youth Academy.

2010 Registrations exceed 90,000 for third consecutive year. Combined domestic–export Jersey semen sales exceed 3 million units for first time in history. Jersey Performance Index™ is revised with weights of 57% production, 19% herd life, 14% udder health and 10% fertility. First-generation low-density 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. NAJ-funded research presented at North American scientific conference shows that the carbon footprint from production of Jersey milk is 20% less than that of Holsteins, measured per unit of cheese yield.

2011 Registrations of 96,174 break all-time record established in 2009. Production sets new records of 18,633 lbs. milk, 889 lbs. fat, and 676 lbs. protein, 2,294 lbs. cheese yield, on a record 91,028 lactations. Performance program enrollment achieves fifth consecutive year-over-year record at 137,999 cows. New records set for REAP with 132,915 cows in 907 herds, and linear type evaluation program with 94,045 scores assigned. Fundraising goal exceeded as 73 donated heifers drive Vision Gift campaign for Jersey Youth Academy endowment. NAJ members invest a record $705,966 for Project Equity. Domestic Jersey semen sales exceed 2 million units for first time in history, market share increases to 9.7%.

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 $177,800 for the year ended December 31, 2011.

American Jersey Cattle Association

Revenues	$ 2,880,728
Expenditures	$ 2,777,994
Net Income from Operations (Before All American and Other Income and Expense)	$ 102,734

National All-Jersey Inc. and Subsidiary

Revenues	$ 1,110,928
Expenditures	$ 1,035,862
Net Income from Operations	$ 75,066

Program participation recorded increases in all major service areas in 2011. Combined revenues are as follows:

Identification Services	35%
Performance Services	18%
Equity	17%
Jersey Journal	12%
Cattle Marketing Services	9%
Other	9%

The organizations' marketable securities are reported at market value of $1,626,454. Due to the decrease in market values compared to 2010, an unrealized loss was recorded at December 31, 2011 to reflect the variance in cost versus fair market value of the companies' investments. In addition, the companies were required to report postretirement changes of $262,267.

The companies reported net assets at December 31, 2011 of:

American Jersey Cattle Association	$ 1,714,624
National All-Jersey Inc. and Subsidiary	$ 672,543
Total (combined) Net Assets	$ 2,387,167

The AJCC Research Foundation reported net assets of $1,506,726 at year-end December 31, 2011. The Foundation supported four projects totaling $28,809. 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 were $360,369. Jersey Youth Academy reported net assets of $361,316. The second class of Jersey Youth Academy included 41 youth selected from a national pool of applicants. The Vision Gift fundraising campaign for Academy was conducted at the 54th National Heifer Sale. Donations received by the Academy during 2011 totaled $324,472.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accounting firm, McGladrey LLP. These statements clearly state the financial position of the companies at December 31, 2011.

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, 2011 and 2010, 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, 2011 and 2010 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 LLP

McGladrey LLP
Columbus, Ohio
May 2, 2012

AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	**$ 656,389**	$ 518,564
Investments	**221,690**	224,562
Accounts receivable, net	**287,566**	314,600
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	**302,094**	287,511
Supplies and inventories	**19,174**	23,506
Prepaid expenses and other assets	**86,732**	77,262
Total current assets	**1,573,645**	1,446,005
PROPERTY AND EQUIPMENT		
Land	**68,000**	68,000
Building	**494,448**	494,448
Operating equipment	**1,482,642**	1,430,072
Software development	**540,379**	540,379
	2,585,469	2,532,899
Less accumulated depreciation and amortization	**(2,174,001)**	(2,065,826)
Total property and equipment, net	**411,468**	467,073
OTHER ASSETS		
Investments	**960,118**	974,511
Advances due National All-Jersey Inc. and All-Jersey Sales Corporation	**106,378**	67,123
Total other assets	**1,066,496**	1,041,634
	$3,051,609	$2,954,712

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES		
Current portion of capital lease obligations	**$ 19,809**	$ 19,319
Current portion of unexpired subscriptions and directory listings	**29,838**	21,090
Accounts payable	**115,527**	114,667
Accrued expenses	**111,456**	69,375
Awards, The All American Show & Sale	**64,794**	56,684
Awards, National Jersey Jug Futurity	**12,643**	15,095
Unearned fees and remittances	**337,733**	301,196
Total current liabilities	**691,800**	597,426
NONCURRENT LIABILITIES		
Capital lease obligations, net of current portion	**17,741**	37,550
Unexpired subscriptions and directory listings, net of current portion	**36,444**	36,174
Accrued pension obligation	**591,000**	372,916
	645,185	446,640
Total liabilities	**1,336,985**	1,044,066
NET ASSETS		
Unrestricted:		
Designated	**1,083,503**	1,122,089
Undesignated	**631,121**	788,557
Total net assets	**1,714,624**	1,910,646
	$3,051,609	$2,954,712

See Notes to the Financial Statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

	2011	2010
REVENUES		
Fees	**$2,309,227**	$2,161,790
Jersey Journal advertising and subscriptions	**512,729**	508,845
Interest and dividend income	**24,944**	24,812
Other	**33,828**	31,190
Total revenues	**2,880,728**	2,726,637
COST OF OPERATIONS		
Salaries, service, and administrative	**2,181,872**	2,009,821
Jersey Journal publishing	**469,335**	420,518
Depreciation and amortization	**123,027**	136,225
Interest expense	**3,760**	5,146
Total cost of operations	**2,777,994**	2,571,710
INCREASE IN NET ASSETS FROM OPERATIONS	**102,734**	154,927
OTHER INCOME (EXPENSE)		
Net gain from The All American Show and Sale	**5,812**	19,687
Net realized and unrealized gain (loss) on investments	**(15,917)**	113,965
Net periodic pension cost	**(49,398)**	(55,464)
Total other income (expense)	**(59,503)**	78,188
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**43,231**	233,115
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	**24,194**	8,632
Total expenditures from designated net assets	**24,194**	8,632
CHANGE IN NET ASSETS BEFORE EFFECT OF POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COST	**19,037**	224,483
POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC PENSION COST	**215,059**	(21,449)
CHANGE IN NET ASSETS	**(196,022)**	245,932
NET ASSETS, beginning	**1,910,646**	1,664,714
NET ASSETS, ending	**$1,714,624**	$1,910,646

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 $960,118 and $123,385 for 2011 and $974,511 and $147,578 for 2010, 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, 2011 and 2010, 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, 2011 and 2010, 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 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 $55,000 as of December 31, 2011 and 2010. 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 $27,880 and $30,437 was recognized for the years ended December 31, 2011 and 2010, 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 2011 and 2010, these activities include primarily magazine advertising. Income tax expense for 2011 and 2010 amounted to $7,000 and $17,260, 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, 2011 and 2010, 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 2008.

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 primarily in 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 $171,004 and $146,788 for 2011 and 2010, 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, 2011 or 2010.

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, 2011 and 2010 of $106,378 and $67,123, 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 $12,160 and $14,867 for the years ended December 31, 2011 and 2010, 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.

Reclassification. Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

Subsequent events. The Association has evaluated subsequent events for potential recognition and/or disclosure through May 2, 2012, 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:

	2011	2010
Records	$ 664,600	$ 550,445
Data processing	320,179	297,342
Performance	638,172	552,096
Jersey Journal	468,558	419,743
Information	123,337	117,568
Field	471,595	364,984
Accounting, administration, and general	356,010	303,547
Total cost of operations	$ 3,042,451	$ 2,605,725

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:

	2011	2010
Pension benefit obligations		
Balance, beginning of year	$ 1,571,818	$ 1,456,582
Interest cost	79,387	79,553
Actuarial loss	215,451	92,825
Benefits paid	(58,948)	(57,142)
Balance, end of year	1,807,708	1,571,818
Plan Assets		
Fair value, beginning of year	1,198,902	1,025,147
Actual returns on Plan assets	(27,671)	130,897
Employer contributions	104,425	100,000
Benefits paid	(58,948)	(57,142)
Fair value, end of year	1,216,708	1,198,902
Accrued pension obligation	$ 591,000	$ 372,916

Assumptions used in the accounting as of December 31:

	2011	2010
Discount rate	5.15%	5.15%
Long-term rate of return	6.50%	7.50%

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

	2011	2010
Interest cost	$ 79,387	$ 79,553
Actual return on Plan assets	27,671	(130,897)
Actuarial loss	215,451	92,825
Total pension (benefit) expense	322,509	41,481
Less pension benefit (expense) of NAJ and Subsidiary	(58,052)	(7,466)
Pension (benefit) expense of AJCA	$ 264,457	$ 34,015

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

	2011	2010
Unrecognized net loss	$ 101,000	$ 67,000

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, 2011

Asset Category	Total	Level 1	Level 2	Level 3
Equity securities:				
U.S. large-cap	$ 65,967	$ –	$ 65,967	$ –
U.S. large-cap growth	120,338	–	120,338	–
U.S. large-cap value	118,656	–	118,656	–
U.S. small-cap	116,897	–	116,897	–
International large-cap value	78,161	–	78,161	–
International large-cap growth	33,203	–	33,203	–
Fixed income mutual funds:				
Government	80,978	–	80,978	–
Natural resources	78,481	–	78,481	–
Intermediate	232,469	–	232,469	–
Inflation indexed	154,654	–	154,654	–
Multi sector	136,904	–	136,904	–
Total Assets	$1,216,708	$ –	$ 1,216,708	$ –

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	$ –

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:

2012	$ 62,422
2013	$ 70,086
2014	$ 71,397
2015	$ 80,013
2016	$ 76,981
Years 2017–2021	$ 431,881

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 2011 and 2010 amounted to $26,756 and $24,186, respectively.

Note 4. Designation of Net Assets

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

	2011	2010
Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)*	$ 960,118	$ 974,511
Research and development - increased annually on a discretionary basis	123,385	147,578
	$ 1,083,503	$ 1,122,089

In 2011 and 2010, there were expenditures of $24,194 and $8,632, respectively, from the research and development designated net assets.

Note 5. Line of Credit

At December 31, 2011 and 2010, the Association has available a $100,000, due on demand, line of credit with interest payable monthly at prime (3.25% at December 31, 2011 and 2010) which expires July 2012. The line is collateralized by investments held by AJCA and NAJ *(Note 7)*. No funds were drawn on the line as of December 31, 2011 or 2010.

Note 6. Capital Lease Obligations

The Company is a lessee of equipment under capital leases, one which expired in 2011 and one which expires in 2013.

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

	2011	2010
Operating equipment	$ 90,911	$ 133,398
Less accumulated amortization	(57,577)	(79,757)
	$ 33,334	$ 53,641

The Company pays monthly capital lease payments of $1,963, which expires during 2013. Minimum future annual lease payments under the capital lease as of December 31, 2011 are as follows:

Years Ending:	2012	$ 22,068
	2013	18,390
		40,458
Less amount representing interest		(2,908)
Present value of minimum lease payments		37,550
Less current portion		(19,809)
Noncurrent portion		$ 17,741

Note 7. Investments

Investments consist of the following at December 31:

	2011	2010
Money market	$ 47,835	$ 48,029
Mutual funds	1,133,973	1,151,044
	$ 1,181,808	$ 1,199,073

Total investment income consists of the following at December 31:

	2011	2010
Interest and dividend income	$ 24,944	$ 24,812
Net realized and unrealized gain (loss) on investments	(15,917)	113,965
	$ 9,027	$ 138,777

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

	2011	2010
Interest	$ 1,596	$ 1,598
Net unrealized gain on investments	(902)	6,605
	$ 694	$ 8,203

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 obs~~ervable 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, 2011 and 2010. 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, 2011

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap growth	$ 377,813	$ 377,813	$ –	$ –
U.S. mid-cap	163,000	163,000	–	–
International	44,931	44,931	–	–
Balanced mutual funds	224,383	224,383	–	–
Fixed income mutual funds:				
Government	93,838	93,838	–	–
High-yield	83,092	83,092	–	–
Intermediate	146,916	146,916	–	–
Total Assets	$ 1,133,973	$ 1,133,973	$ –	$ –

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	$ –	$ –

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

We have audited the accompanying consolidated statements of financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2011 and 2010, 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, 2011 and 2010 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 LLP
Columbus, Ohio
May 2, 2012

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS	**2011**	2010
CURRENT ASSETS		
Cash and cash equivalents	**$ 868,752**	$ 348,836
Custodial cash	**17,800**	191,020
Investments	**444,646**	450,406
Accounts receivable, net	**126,362**	87,991
Interest receivable	**1,939**	2,167
Prepaid expenses	**7,918**	8,999
Total current assets	**1,467,417**	1,089,419
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	**89,149**	81,197
	273,247	265,295
Less accumulated depreciation and amortization	**(204,291)**	(209,517)
Total property and equipment, net	**68,956**	55,778
	$1,536,373	$ 1,145,197
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 39,496**	$ 4,310
Advances due to American Jersey Cattle Association	**302,094**	287,511
Fees due consignors	**319,483**	25,709
Accrued expenses	**34,842**	20,747
Advances and reserves for advertising	**31,828**	31,828
Deferred income	**29,709**	27,212
Total current liabilities	**757,452**	397,317
NONCURRENT LIABILITIES		
Accrued pension due to American Jersey Cattle Association	**106,378**	67,123
	106,378	67,123
Total liabilities	**863,830**	464,440
NET ASSETS		
Unrestricted:		
Designated	**143,142**	164,739
Undesignated	**529,401**	516,018
Total net assets	**672,543**	680,747
	$1,536,373	$ 1,145,197

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

	2011	2010
REVENUES		
Equity project fees	**$ 705,966**	$ 655,512
Commissions	**384,944**	217,822
Interest and dividend income	**10,088**	10,101
Other	**9,930**	21,392
Total revenues	**1,110,928**	904,827
COST OF OPERATIONS		
Salaries, service, and administrative	**878,529**	942,495
Field services	**92,598**	79,047
Bad debt expense	**55,840**	21,726
Depreciation and amortization	**8,895**	10,042
Total costs of operations	**1,035,862**	1,053,310
CHANGE IN NET ASSETS FROM OPERATIONS	**75,066**	(148,483)
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain (loss) on investments	**(3,631)**	41,228
Pension expense	**(58,052)**	(7,466)
Total other income	**(61,683)**	33,762
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**13,383**	(114,721)
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	**21,597**	8,316
Total expenditures from designated net assets	**21,597**	8,316
CHANGE IN NET ASSETS	**(8,214)**	(123,037)
NET ASSETS, beginning	**680,757**	803,794
NET ASSETS, ending	**$ 672,543**	$ 680,757

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 $143,142 and $164,739 for 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, 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 $58,090 and $11,250 as of December 31, 2011 and 2010, respectively. Bad debt expense of $55,840 and $21,726 was recognized for 2011 and 2010, 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 2011 and 2010 include reimbursements of $171,004 and $146,788, 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, 2011 and 2010, 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 2008.

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 $20,448 and $14,453 for the years ended December 31, 2011 and 2010, 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.

Reclassification. Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

Subsequent events. The Company has evaluated subsequent events for potential recognition and/or disclosure through May 2, 2012, 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:

	2011	2010
National All-Jersey Equity program	$ 439,714	$ 441,859
Accounting, administration, general and field service	203,425	162,836
All-Jersey Sales (JMS)	450,775	456,081
Total cost of operations and pension expense (benefit)	$1,093,914	$1,060,776

Note 3. Advances and Reserves for Advertising

	December 31, 2011	December 31, 2010
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, 2011 and 2010, NAJ has included on its statement of activities pension plan expense of $58,052 and $7,466, respectively.

The amount of accrued pension obligation was $106,378 and $67,123 at December 31, 2011 and 2010, 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 2011 and 2010 amounted to $6,117 and $7,608, respectively.

Note 5. Designation of Net Assets

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

	2011	2010
Research and development: Increased annually on a discretionary basis. In 2011 and 2010, there were expenditures of $21,597 and $8,316, respectively, from the research and development of designated net assets.	$ 143,142	$ 164,739

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	2011	2010
Provision for doubtful accounts	$ 9,900	$ 1,900
Net operating loss	70,600	66,000
Depreciation and amortization	400	200
Gross deferred tax assets	80,900	68,100
Less valuation allowance	(80,900)	(68,100)
Net deferred tax assets	$ –	$ –

For the years ended December 31, 2011 and 2010, 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. At December 31, 2011, the Company had approximately $415,000 of federal net operating losses. The net operating loss carryforwards, if not utilized, will begin to expire in 2028.

Note 7. Line of Credit

At December 31, 2011 and 2010, the Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime (3.25% at December 31, 2011 and 2010) which expires July 2012. The line is collateralized by investment securities held by NAJ and American Jersey Cattle Company. No funds were drawn on the line at December 31, 2011 or 2010.

Note 8. Investments

Investments consisted of the following at December 31:

	2011	2010
Money market	$ 35,325	$ 35,455
Mutual funds	409,321	414,951
	$ 444,646	$ 450,406

Total investment income consists of the following at December 31:

	2011	2010
Interest and dividend income	$ 10,088	$ 10,101
Net realized and unrealized gain on investments	(3,631)	41,228
	$ 6,457	$ 51,329

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, 2011 and 2010. 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, 2011

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap growth	$ 129,790	$ 129,790	$ –	$ –
U.S. mid-cap	55,530	55,530	–	–
International	15,456	15,456	–	–
Balanced mutual funds	98,444	98,444	–	–
Fixed income mutual funds:				
Government	32,471	32,471	–	–
High-yield	28,752	28,752	–	–
Intermediate	48,878	48,878	–	–
Total Assets	$ 409,321	$ 409,321	$ –	$ –

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	$ –	$ –

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

LEADING INDICATORS OF JERSEY BREED GROWTH AND IMPROVEMENT

	2011	2001	1991	Change ('11 v. '91)
Identification				
Animals recorded	96,174	67,727	57,627	66.9%
Animals transferred	17,936	21,663	23,386	-23.3%
Performance Programs				
Herds enrolled	1,085	879	797	36.1%
Cows enrolled	137,999	101,607	54,592	152.8%
Production *(AJCA lactations, 305-day, 2x, ME)*				
Protein, true *(*measured as total protein)*	676	634	542*	24.7%
Milk	18,633	17,720	14,544	28.1%
Fat	889	808	680	30.7%
Equity Investment	$ 705,966	$ 337,194	$ 189,130	273.3%
Jersey Marketing Service				
Gross for private treaty sales	$2,233,630	$2,049,532	$ 993,278	124.9%
Gross for public sales	$6,454,235	$7,263,515	$2,419,749	166.7%
Combined Net Assets	$2,387,167	$1,950,128	$1,903,739	25.4%

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