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

2014 Annual Report

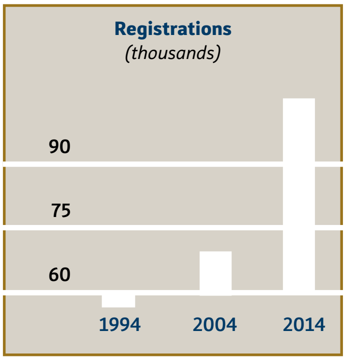
AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

Report to the Membership

On behalf of the Boards of Directors and staff, I am pleased to submit the 2014 Annual Reports of the American Jersey Cattle Association and National All-Jersey Inc. As outlined in their respective constitutions, the purposes or missions of the AJCA and NAJ are to:

- Improve and promote the breed of Jersey cattle;
- Maintain records and activities that are in the best interests of Jersey cattle breeders;
- Promote the increased production and sale of Jersey milk and milk products; and
- Promote the increased sale of Jersey cattle.

2014 was a year of wide-ranging activities and significant accomplishments by our organizations, driven by an ambitious vision of breed improvement and growth that is contributing to the profitability and sustainability of the dairy business across these United States.



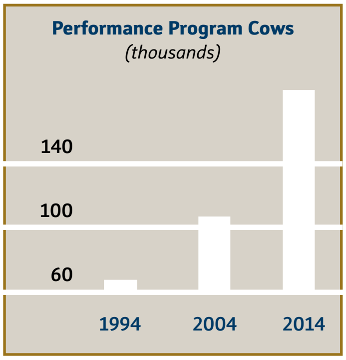
We begin with the core program areas: registration and enrollment in performance programs. These are the unfailing barometers of the breed's current status and future prospects, and also the relevance and vitality of our association.

For the sixth time in seven years, an all-time record for registrations was broken and a new one written into the history books.

In 2014, the association recorded 118,235 animals for 2,680 different owners. Total registrations increased by 5.3% over the 2013 total of 112,265, the previous all-time record. It was the third consecutive year that registrations have exceeded 100,000 animals.

For the year, 60% of calves registered were identified by double-matched approved eartags, 79% of applications were processed electronically, and 87% of registrations originated from REAP-enrolled herds. JerseyTag sales set a new record of 331,001 units sold.

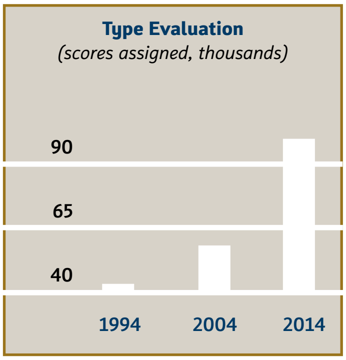
2014 also culminated 40 years of Genetic Recovery, approved in 1974 as a program to identify superior unregistered females so that resulting generations could be registered. Nearly 10% of the year's registrations came through Genetic Recovery. Through 2014, 508,112 females have been recorded, equivalent to one of every five animals registered in that timespan.



The 45,578 ownership transfers processed in 2014 were more than twice the annual average for the past 10 years, and were the highest total for a business year recorded in 65 years. Increased transfer activity was spurred by the Time 2 Transfer promotion that introduced new fees for REAP herds and encouraged the use of improved online processing services.

Records for performance program enrollment were set for the eighteenth time in 20 years.

For all programs, 162,536 cows were enrolled at December 31, an increase of 3.3% from 2013, of which 157,752 were in REAP herds. Though both are records, the peak totals of 2014 came a few months earlier when REAP cows crossed the 160,000 mark in October, and enrollment in all programs went over 165,000 in November. Year-end herd enrollment was 1,102 for all programs, 964 of which were REAP herds.



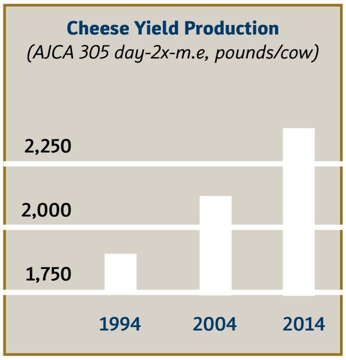
Program growth also resulted in a new record for the linear type appraisal program, with 109,963 scores and breakdowns made by evaluators in 1,620 herd visits during the year. This was the second consecutive year over 100,000 scores. All traits showed positive genetic trend, most importantly for udder depth.

The AJCA processed 112,277 lactation records, a 6% gain over the previous record of 105,913 set in 2013. Production per cow was 19,560–944–713 and 2,426 lbs. cheese yield *(305-2x-m.e.)*. Actual 305-day production was 17,220 lbs. milk, 834 lbs. fat and 627 lbs. protein, equivalent to a yield of 21,186 lbs. on 3.5% fat-corrected basis.

For the five most recent years *(2010-2014)*, production gains have taken a marked trajectory upwards. Milk yield is now increasing at an annual rate of 263 lbs. versus the decade trend of 145 lbs. per year. For components, fat production is increasing at a rate of 19.7 lbs. *(vs. 13.4)* and protein at 11.0 lbs. *(vs. 7.6)*.

Jersey Performance Index™—our strategy for breed improvement—was updated.

Jersey Performance Index™ was updated and implemented with the December genetic evaluations based on the most extensive analysis of Jersey production, longevity and health data ever undertaken. In JPI_{2015}, 58% of the index's value is placed on production traits (PTA protein and PTA fat). The remaining 42% is contributed by six health, fitness and longevity traits: the Functional Trait Index (FTI), and USDA PTAs for Productive Life (PL), Somatic Cell Score (SCS), and the fertility traits Daughter Pregnancy Rate (DPR), Cow Conception Rate (CCR), and Heifer Conception Rate (HCR). Relative emphasis among fitness traits was 20% for udder health, 11% for herd life and 11% on fertility.

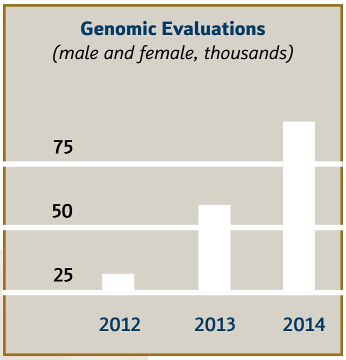


Cheese Yield Production
(AJCA 305 day-2x-m.e, pounds/cow)

Jersey Udder Index™, introduced in 2007 to bring increased selection pressure for udder traits, was also updated. The weight of each trait reflects its relative importance for a Jersey cow's survival and lifetime net income. Among them, Udder Depth remains the most important factor and was weighted 37% in JUI_{2015}. That was followed by three traits with similar influence on survival and profitability: Fore Udder Attachment, Udder Cleft and Rear Udder Height. Rather than being reported in PTA form, the JUI number now tells you how many points the udder traits add, or subtract, from Jersey Performance Index™.

In five years, genomics has gone from being an innovative technology to a mainstream tool used by over 90% of herds enrolled in AJCA performance programs.

Although genomic evaluations have been published since 2009, it took the introduction of the cost-effective 3K genotyping chip in late summer 2010 to spur adoption. From a mere 8,084 animals at the end of 2010, the Jersey genomic database has grown by a factor of 11 to 92,469 genotypes at December 31, 2014. More genotypes were added in 2014 than any previous year: 35,396, a 62% year-over-year increase. A total of 932 herds and 2,445 owners have utilized genomic testing for marketing, breeding and herd management.



Genomic Evaluations
(male and female, thousands)

Genomic evaluations are effectively accelerating breed improvement by increasing the selection pressure on young sires and reducing the generation interval. For the December 2014 official evaluations, 104 active A.I. bulls averaged CM$ 250 and JPI 93, compared to the average of CM$ 383 and JPI 143 for all genomic evaluated bulls without daughters *(366 bulls)*. The top 25% of G-code bulls that entered A.I. in 2014 averaged CM$ 511 and JPI 201.

Confidence in genomic evaluations is well placed. Research by the Council on Dairy Cattle Breeding shows that for Jerseys, genomic data increases Reliability 32% over Parent Average for yield traits. The average Reliability of young bulls evaluated in December was 70% for GPTA protein and 68% for GPTA final score. Five of the top 10 sires of registered sons for 2014 were G-code bulls, and 64% of all animals registered were sired by current or former G-code bulls.

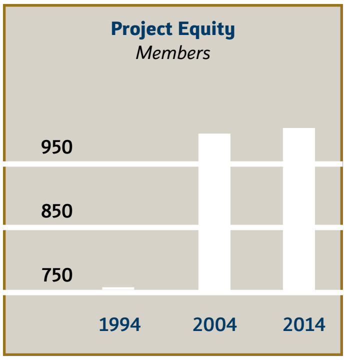
National All-Jersey Inc. was always at work looking for opportunities to increase the value of and demand for Jersey milk.

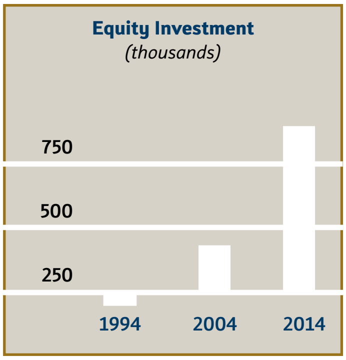
Since its inception in 1957 as an agency for marketing milk produced only by Registered Jersey™ cows, to becoming an advocate for market-driven milk pricing to better serve the needs of the dairy industry, National All-Jersey Inc. has been, and will continue to be essential to our breed growth strategy.

Three primary objectives were pursued in 2014, the first being to improve markets for Jersey milk producers in the southeastern U.S. Reduced Class I utilization and higher protein in producer milk has stoked interest in multiple component pricing. Economist John Newton of the University of Illinois, writing in *Hoard's Dairyman* (August 10), determined that from 2006 to 2013, MCP would have changed the value of producer milk in the pool by $25 million in the Appalachian order and $44 million in the Southeast marketing area. Implementation of MCP would also standardize milk pricing between the Southeast and surrounding orders and milk costs among manufacturing plants. Work to develop an MCP proposal is NAJ staff's top priority.

The Farm Bill provided an opening for California to become the eleventh Federal Milk Marketing Order and to retain its quota system. Four proposals have been received by USDA Dairy Programs and are under study to determine if a hearing is warranted. NAJ's analysis has focused on the effect of the distribution of the residual value of the revenue pool, and its potential to reduce the price of milk protein. NAJ staff will monitor developments and continue to advocate for equitable payments for milk's most valuable components.

With exports of U.S. dairy products now exceeding 15% of domestic production, NAJ completed a study outlining the economic advantages of using Jersey milk to produce protein-standardized skim milk and whole milk powders. In addition to being covered in the *Cheese Reporter*, the





analysis was circulated by the American Dairy Products Institute and U.S. Dairy Export Council. The article, plus worksheet, is now published on the USJersey web site.

In conjunction with the 2014 Annual Meetings in the Washington, D.C. metro area, National All-Jersey organized its first Constituent Day on Capitol Hill. More than 70 Jersey producers participated in scheduled meetings in 80 Congressional offices. Topics discussed included implementation of Farm Bill provisions, immigration reform and desirability of balanced international trade agreements to increase dairy exports. Participants also met top agency officials in a reception at the U.S. Department of Agriculture.

Direct financial support for National All-Jersey comes through Project Equity, the most successful program ever undertaken by a breed association. In 2014, 1,042 members invested a record $851,200 in this work. The total investment over 38 years—$12,074,385—has been returned many times over through fair values paid for high-component milk and increased demand for Jersey cattle across the country.

Producer owned and governed, Jersey Marketing Service posted some of the best results in its 45-year history.

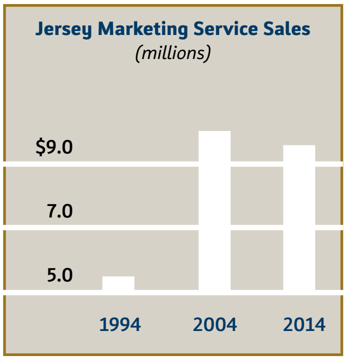
Rising milk prices that achieved record levels in the fall, plus favorable operating margins, were the primary drivers of a successful year for Jersey Marketing Service, a wholly owned subsidiary of National All-Jersey Inc. Total sales management reached $9,502,261, a 46% increase over the previous year. 2014 was the fourth-high year in company history and the best year since the all-time high year of 2007 when JMS exceeded $13 million in sales. Live animals were the largest category marketed: 4,535 lots averaged $2,078.04 for a gross of $9,423,926. Embryos and semen added $71,065 and $7,270, respectively to the year's gross.

JMS consolidated its position as the leading marketer of Registered Jerseys™ by operating in different spaces and employing multiple media channels to serve the changing needs of buyers and sellers. Public sale management, between 21 traditional on-farm auctions and 10 JerseyBid online sales, accounted for 61% of gross revenues, the balance coming from domestic and international private treaty. Live animals at public auction averaged $2,303.41 *(2,503 lots)*, and embryos $328.78 *(172 lots)*. Two-thirds of embryo sales were completed online.

Private treaty gross revenue increased 65.8% from 2013. Live animals *(2,032)* averaged $1,800.44 and embryos $279.13 *(52 lots)*.

Three years after its introduction, Jersey Auction Live has become an expected part of JMS service at public sales. Fifteen auctions in 2014 could supply the internet bandwidth to expand the bidding audience with Jersey Auction Live, and the service was contracted for another eight sales, most of other breeds. The biggest audience came to The All American Sale on November 9, with those watching online essentially doubling the ringside to 1,000 people. Four more sales drew 240 or more viewers through Jersey Auction Live. Jersey Auction Live also meant business. Each of the 23 sales accepted valid bids, contending bids, and winning bids. The largest single transaction was a pen lot of 48 head at $2,000 each, for a total of $98,000.

JMS also demonstrated how using all of its resources simultaneously could be an effective, efficient marketing machine. The California Gold Sales on February 15 and October 9 started on JerseyBid, utilized Jersey Auction Live and were closed by an auctioneer to generate $1,283,900 for 580 lots. The first sale of 331 animals completed business in just 35 minutes.



Jersey Marketing Service managed six of the top 10 auction sales of 2014. The All American Sale, November 9 in Louisville, Ky., averaged $11,972.78 on 45 lots, setting not only a record in its 62-year history but also as the highest averaging Registered Jersey™ sale ever reported to *Jersey Journal*. The 57th National Heifer Sale on June 27 was the third-high sale of 2014 with its series record average of $6,555.88 on 34 lots. The other four sales were the Buckeye Classic, featuring the Best of Goff Dairy, 57 lots averaging $4,616.67, also a series record; the 57th Pot O'Gold Sale, 32 lots averaging $4,606.25, third-high in its history; the Top of the World Sale, 19 lots averaging $4,584.21, the second best of the series; and the Holiday Spectacular Sale on JerseyBid.com, averaging $4,147.06 on 17 lots.

Policies for Jersey Marketing Service are established by the Board of Directors of National All-Jersey Inc. All JMS transactions provide the buyer with required health tests and charts, DHI production transfers, Official Performance Pedigrees and the registration certificates for all animals, transferred to the new owner.

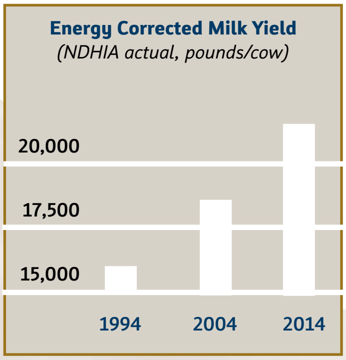
Jersey promotion and market development efforts took many forms in 2014.

The only monthly publication in the world devoted exclusively to the Jersey breed, the *Jersey Journal* continued to earn accolades. Extensive coverage of sales, shows and meetings, accentuated by in-depth reports on industry issues and stories of success achieved by users of AJCA and NAJ services dominated the 1,152 pages printed in 2014. Complementing this editorial coverage were 529 pages of advertising, much of it colorful and all of it unique by promoting and marketing the best the breed has to offer.

As 2014 ended and 2015 began, a new USJersey web site went live. It is now the hub for all AJCA, NAJ and JMS sites, infoJersey, the Green Book Online, and the online presence for *Jersey Journal*, JerseySites and the Jersey Directory. The fresh new look features user-friendly navigation and a powerful search engine to find what you need, quickly and easily. Best of all, it is mobile phone and tablet friendly.

Our single, spectacular national show focused on the undeniable glamor of the "Queen of Quality." The 62nd edition of The All American Show & Sales, from the first junior entering Freedom Hall to the selection of the National Grand Champion, impressed and inspired the dairy world from November 8 to 10. The Open show, with 357 exhibited, the Junior Show of 223 cows and heifers shown by 135 junior members, and the National Jersey Jug Futurity comprised the highlight Jersey exhibition of 2014. The combined gross of the All American and Pot O'Gold sales was $681,175. The annual Junior Banquet recognized nearly 60 achievement, production contest and scholarship winners. The three-day All American marathon is worth every penny spent and ounce of effort expended, but it is also a collective effort. Our deepest thanks goes to the exhibitors, consignors, the event host, sponsors, buyers, and spectators who make it all possible.

There were many breeders and farms that became newsmakers in 2014. Two headlines were without precedent. At the four major North American dairy shows last year, the Supreme Champion was the Jersey. The judges' votes went twice for TJ Classic Minister Venus-ET, first at World Dairy Expo *(2,072 entries)*, then at the North American International Livestock Exposition *(1,167 entries)* after she was selected National Grand Champion of 2014 for River Valley Farm, Tremont, Ill. Arethusa Response Vivid-ET from Arethusa Farm of Litchfield, Conn., reigned supreme over the 800 entries at the Royal Winter Fair. At the All-American Dairy Show in Harrisburg *(1,900 entries)*, DC Harmony Norma took the honors for Jordan and Jason Thomas, Lowville, N.Y.

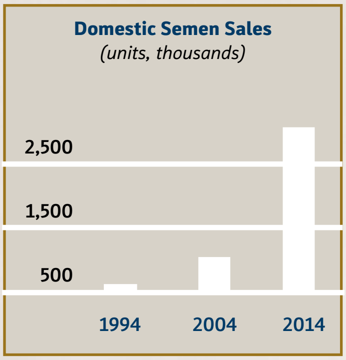


Then at "the Oscars of the cheese world," the American Cheese Society Judging & Competition, a Jersey milk cheese—a Queen of Quality® cheese—reigned supreme among 1,685 entries. That cheese was Spring Brook Tarentaise Reserve, made from the milk of 40 Registered Jerseys at Farms for City Kids Foundation, Reading, Vt. Explained the Foundation's cheese program director Jeremy Stephenson, "You cannot make excellent cheese without excellent milk."

These activities and accomplishments are the bedrock of the Jersey cow's surging popularity and the sustained breed growth taking place all across the United States.

In 2014, the average price paid for Registered Jerseys™ sold at public auction was $2,686.71, eclipsing the previous record of $2,435.42 reported in 2007 by $251. Auction sales have been reported by this association since 1919, and nine of the 10 highest average years have followed Federal Order reform implementation of multiple component pricing on January 1, 2000.

The National Association of Animal Breeders (NAAB) reported that 2014 sales totaled 4,698,840 units, 8.5% above the previous record year of 2013. Domestic sales increased by 7.0% to 2,970,148 units. Another 1,355,247 doses were exported, an increase of 8.0%. Jersey market shares are now 12.6% domestic and 6.8% export. From 2000 through 2014, NAAB Jersey sales from all sources, including custom collection, have increased 281%.



On January 1, 2015, National DHIA issued its annual cow enrollment report counting 307,622 Jersey cows on test—the most in its history. That was an increase of 12.4% over the previous year. National DHI has reported annual gains for the past 12 years and there are 95% more Jersey cows enrolled in DHI programs today than there were on January 1, 2000.

Also, National DHI reported that 10.3% of all lactation records used for national genetic evaluations in 2014 were made by Jersey cows. Compared to the previous year, Jersey calvings increased by 11%—the most of any breed—and Jersey's production gains led all breeds. Milk yield increased by 2.2%, fat yield by 25 pounds per cow, and protein yield by 19 lbs.

In 2000, the total U.S. Jersey cow population was estimated at 3.3%. Based on the NDHIA and NAAB statistics cited above, Jerseys today make up 11% of the U.S. population, about 1,025,000 milking cows. That's three times the population size of 15 years ago. Put another way, for every one (1) Jersey cow enrolled on performance programs with AJCA and DHI, there are another 2¼ cows in the national dairy herd.

The reason is ultimately just how much Jerseys deliver to the bottom line. The California Department of Food and Agriculture just released the 2014 annual cost of production summary. Last year, the average mailbox price for Holstein milk was $21.46, and the cost of production was $16.63, for net income of $4.83 per hundredweight. The average Jersey mailbox price was $25.92 with average costs of $20.29, for a net income of $5.63 per cwt., a 16.6% advantage.

Jersey is the only breed to show sustained growth for 20 years. The pattern of growth is not regional, but national. Companies are constructing business plans around the Jersey. Because of the extra value of Jersey milk. Because of the productivity of the Jersey cow. Because of her efficiencies. Because of her fertility. Because of her longevity.

The backbone of AJCA and NAJ's growth is REAP, the hugely popular and convenient package of four core services: registration, Equity, appraisal and performance programs.

Introduced January 1 of 1995, REAP ushered in sustained growth for these organizations. Eighteen times in 20 years—including the year closed December 31—the AJCA has reported year-over-year increases for performance program enrollment. The registration record has been broken and reset six times. Grassroots investment in Equity has grown every year, giving the financial means to stay engaged with industry and policy makers, to develop federal order MCP proposals, and to support market research and development.

REAP generates 87% of annual registrations, enrolls 97% of the cows on AJCA performance programs, and accounts for 99% of cows scored. The vast and accurate information database that today drives Jersey genetic progress was built on the back of REAP. On an energy-corrected milk basis, cows born in 2011 are 34.5% more productive than those born 20 years earlier. Continuous improvement in functional type, especially for udder traits, extends across two decades. A.I. bulls are the best in history and getting better each year. Domestic semen sales are five times what they were in 1994-95.

Because REAP delivers regular genetic, production and type appraisal information to make better breeding, culling and merchandising decisions, it increases the herd's profit potential. A dollar invested in REAP returns itself multiple times through higher milk production, internal herd growth, higher prices for cattle sold for dairy purposes, inbreeding management, and building animal value to be redeemed when one's herd (inevitably) is sold.

Our strength is in our members.

Members of the American Jersey Cattle Association and National All-Jersey Inc. have always been willing to take matters into their own hands to drive their destiny. It's simply in our DNA. Because the Jersey cow is different, we have created unique tools to identify, select for and develop the profitmaking characteristics of Jerseys. Because Jersey milk is different, we have insisted on specialized marketing strategies to get the full and fair value of Jersey products.

Our progressive policies for breed improvement and milk marketing, unrelenting work to deliver programs and services that make Jerseys more profitable, backed up by your support and investment, is driving Jersey breed performance and setting up continued growth.

Thank you for your support of and loyalty to the American Jersey Cattle Association and National All-Jersey Inc. We look forward to working with you as we go forward.

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

Information Technology
Lee Morgan

Jersey Journal
Kimberly A. Billman

Research and Genetic Development
Cari W. Wolfe

Jersey Marketing Service
Jason Robinson

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 $504,783 for the year ended December 31, 2014.

American Jersey Cattle Association

Revenues	$3,713,698
Expenditures	$3,498,069
Net Income from Operations (Before All American and Other Income and Expense)	$ 215,629

National All-Jersey Inc. and Subsidiary

Revenues	$1,386,582
Expenditures	$1,097,428
Net Income from Operations (Before Other Income and Expense)	$ 289,154

2014 was another record-setting year for program participation in most primary service areas. Combined revenues are as follows:

Identification Services	41%
Performance Services	16%
Equity	16%
Jersey Journal	10%
Cattle Marketing Services	9%
Other	8%

The organizations' marketable securities are reported at market value of $2,030,003. In addition, the companies were required to report postretirement changes of $427,460.

The companies reported net assets at December 31, 2014 of:

American Jersey Cattle Association	$2,284,080
National All-Jersey Inc. and Subsidiary	$1,048,809
Total (combined) Net Assets	$3,332,889

The AJCC Research Foundation reported net assets of $1,981,117 at year-end December 31, 2014. The Research Foundation supported three projects totaling $29,224. The scholarship funds administered by the AJCA awarded 10 scholarships totaling $22,680. Total combined net assets in the scholarship funds as of December 31, 2014 were $451,997. Net assets held in the Jersey Youth Academy Fund at December 31, 2014 were $488,476.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accounting firm, Clark, Schaefer, Hackett & Co. These statements clearly state the financial position of the companies at December 31, 2014 and are presented in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,
Vickie J. White
Vickie J. White
Treasurer

To the Board of Directors
American Jersey Cattle Association

We have audited the accompanying financial statements of American Jersey Cattle Association which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Jersey Cattle Association as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.
Columbus, Ohio
April 10, 2015

AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	**$ 889,326**	$ 342,492
Investments	**275,658**	266,147
Accounts receivable, net	**391,234**	420,221
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	**511,357**	668,848
Supplies and inventories	**25,960**	27,399
Prepaid expenses and other assets	**83,427**	49,914
Total current assets	**2,176,962**	1,775,021
PROPERTY AND EQUIPMENT		
Land	**68,000**	68,000
Building	**494,448**	494,448
Operating equipment	**1,641,625**	1,513,900
Software development	**147,391**	558,633
	2,351,464	2,634,981
Less accumulated depreciation and amortization	**(1,893,606)**	(2,282,122)
Total property and equipment, net	**457,858**	352,859
OTHER ASSETS		
Investments	**1,201,461**	1,159,789
Advances due National All-Jersey Inc. and All-Jersey Sales Corporation	**93,549**	18,899
Total other assets	**1,295,010**	1,178,688
	$3,929,830	$ 3,306,568
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of capital lease obligations	**$ 2,112**	$ 2,112
Current portion of unexpired subscriptions and directory listings	**27,863**	16,136
Accounts payable	**182,992**	96,462
Accrued expenses	**177,952**	143,195
Awards, The All American Show & Sale	**71,757**	72,333
Awards, National Jersey Jug Futurity	**13,487**	18,072
Accrued pension obligation	**519,732**	–
Unearned fees and remittances	**609,547**	400,528
Total current liabilities	**1,605,442**	748,838
NONCURRENT LIABILITIES		
Capital lease obligations, net of current portion	**3,167**	5,278
Unexpired subscriptions and directory listings, net of current portion	**37,141**	43,984
Accrued pension obligation	**–**	105,009
	40,308	154,271
Total liabilities	**1,645,750**	903,109
NET ASSETS		
Unrestricted:		
Designated	**1,326,931**	1,311,685
Undesignated	**957,149**	1,091,774
Total net assets	**2,284,080**	2,403,459
	$ 3,929,830	$ 3,306,568

See Notes to the Financial Statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2014 and 2013

	2014	2013
REVENUES		
Fees	**$ 3,130,982**	$ 2,885,745
Jersey Journal advertising and subscriptions	**523,223**	528,664
Interest and dividend income	**27,053**	21,627
Other	**32,440**	29,042
Total revenues	**3,713,698**	3,465,078
COST OF OPERATIONS		
Salaries, service, and administrative	**2,865,997**	2,777,505
Jersey Journal publishing	**504,134**	421,550
Depreciation and amortization	**127,938**	113,506
Interest expense	**–**	613
Total cost of operations	**3,498,069**	3,313,174
INCREASE IN NET ASSETS FROM OPERATIONS	**215,629**	151,904
OTHER INCOME (EXPENSE)		
Net gain from The All American Show and Sale	**23,489**	14,626
Net realized and unrealized gain on investments	**57,202**	135,511
Net periodic pension cost	**(38,756)**	(52,106)
Total other income (expense)	**41,935**	98,031
Board authorized appropriation from Undesignated to Designated	**–**	**(50,000)**
CHANGE IN UNDESIGNATED NET ASSETS	**257,564**	199,935
EXPENDITURES AND TRANSFERS TO DESIGNATED NET ASSETS		
Research and development expenses	**(26,426)**	(1,137)
Board authorized appropriation from Undesignated to Designated	**–**	**50,000**
Expenditures and transfers to Designated net assets	**(26,426)**	48,863
CHANGE IN NET ASSETS BEFORE EFFECT OF POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COST	**231,138**	248,798
POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC PENSION COST	**350,517**	(382,140)
CHANGE IN NET ASSETS	**(119,379)**	630,938
NET ASSETS, beginning	**2,403,459**	1,772,521
NET ASSETS, ending	**$2,284,080**	$2,403,459

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 $1,201,461 and $125,470 for 2014 and $1,159,789 and $151,896 for 2013, respectively. During 2013, the Board of Directors authorized a transfer of $50,000 from undesignated to authorized for research and development.

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, 2014 and 2013, 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, 2014 and 2013, 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 statements of financial position, with the change in fair value included in the statements of activities.

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

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 $60,000 and $65,000 as of December 31, 2014 and 2013, 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 $13,210 and $8,668 was recognized for the years ended December 31, 2014 and 2013, 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 2014 and 2013, these activities include primarily magazine advertising. Income tax expense for 2014 and 2013 amounted to $-0- and $24,000, respectively, and is included in *Jersey Journal* publishing expense on the statements of activities.

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, 2014 and 2013, 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 2011.

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	31½ years
Operating equipment	3–10 years
Software development	3–15 years

Capital leases. The Association acquired office equipment under noncancellable leases which are 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 Statements of Activities of AJCA are net of reimbursements of $206,330 and $185,129 for 2014 and 2013, respectively, from the above-mentioned affiliated companies for these jointly incurred costs.

AJSC has a $175,000 line of credit which is collateralized by investments held by AJCA and NAJ. No funds were drawn on these lines of credit as of December 31, 2014 and 2013.

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, 2014 and 2013 of $93,549 and $18,899, 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, promotional items available for sale, and tags which are valued at the lower of cost or market.

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 $6,751 and $3,806 for the years ended December 31, 2014 and 2013, 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.

Note 2. Functional Expenses

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

	2014	2013
Records	$ 1,136,823	$ 1,018,819
Data processing	439,220	238,417
Performance	730,454	572,061
Jersey Journal	504,134	421,550
Information	139,673	104,327
Field	557,775	407,943
Accounting, administration, and general	379,263	220,023
Total cost of operations	$ 3,887,342	$ 2,983,140

Note 3. Pension Plans

Effective December 31, 2002, the Board of Directors of AJCA froze the Defined Benefit Pension Plan (Plan). In March 2014, the Board of Directors authorized the Association to terminate the Plan. The Association received a favorable ruling from the Internal Revenue Service in March 2015. ACJA expects to terminate the Plan in 2015. 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 for 2013. During 2014, the funds were transferred to a shorter term bond fund.

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

	2014	2013
Pension benefit obligation		
Balance, beginning of year	$ 1,724,429	$ 1,999,989
Interest cost	80,160	71,047
Actuarial loss (gain)	397,183	(264,702)
Benefits paid	(85,059)	(81,905)
Balance, end of year	2,116,713	1,724,429
Plan Assets		
Fair value, beginning of year	1,619,420	1,392,499
Actual returns on Plan assets	2,620	208,826
Employer contributions	60,000	100,000
Benefits paid	(85,059)	(81,905)
Fair value, end of year	1,596,981	1,619,420
Accrued pension obligation	$ 519,732	$ 105,009

Assumptions used in the accounting as of December 31:

	2014	2013
Discount rate	3.70%	4.64%
Long-term rate of return	n/a	4.00%

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

	2014	2013
Interest cost	$ 80,160	$ 71,047
Actual return on Plan assets	(2,620)	(208,826)
Actuarial loss (gain)	397,183	(264,702)
Total pension expense	474,723	(402,481)
Less pension expense of NAJ and Subsidiary	(85,450)	72,447
Pension expense of AJCA	$ 389,273	$ (330,034)

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

	2014	2013
Unrecognized net loss	$ 73,000	$ 39,000

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 through the date the Board of Directors authorized the Association to terminate the Plan. Subsequently, the assets were invested in short-term bond funds.

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

December 31, 2014

Asset Category	Total	Level 1	Level 2	Level 3
Fixed income mutual funds:				
Short-term bond	$ 1,596,981	$ –	$ 1,596,981	$ –

December 31, 2013

Asset Category	Total	Level 1	Level 2	Level 3
Equity securities:				
U.S. large-cap	$ 223,138	$ –	$ 223,138	$ –
U.S. large-cap growth	149,833	–	149,833	–
U.S. large-cap value	165,171	–	165,171	–
U.S. small-cap	214,537	–	214,537	–
International large-cap value	89,534	–	89,534	–
International large-cap growth	72,984	–	72,984	–
Fixed income mutual funds:				
REIT	71,359	–	71,359	–
Natural resources	68,720	–	68,720	–
Intermediate	274,827	–	274,827	–
Inflation indexed	62,388	–	62,388	–
High-yield	106,236	–	106,236	–
Multi-sector	120,693	–	120,693	–
Total Assets	$ 1,619,420	$ –	$ 1,619,420	$ –

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

Estimated Future Benefit Payments: In March 2015, the Company received a favorable ruling from the Internal Revenue Service to terminate the Plan. The Company plans to terminate the Plan during 2015. Therefore, the accrued pension obligatory totaling $519,732 will be paid during 2015.

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 2014 and 2013 amounted to $25,159 and $23,116, respectively.

Note 4. Designation of Net Assets

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

	2014	2013
Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)*	$ 1,201,461	$ 1,159,789
Research and development - increased annually on a discretionary basis	125,470	151,896
	$ 1,326,931	$ 1,311,685

In 2014 and 2013, there were expenditures of $26,426 and $1,137, respectively, from the research and development designated net assets. In 2014 and 2013, the Board of Directors authorized an appropriation from undesignated to research and development of $-0- and $50,000, respectively.

Note 5. Lines of Credit

At December 31, 2014 and 2013, the Association has available a $100,000 line of credit due on demand with interest payable monthly at prime (3.25% at December 31, 2014 and 2013). The line was collateralized by investments held by AJCA and NAJ *(Note 7)*. Effective November 19, 2014, the line of credit is secured by investments held by AJCA. No funds were drawn on the line of credit as of December 31, 2014 or 2013.

At December 31, 2014 and 2013, AJSC has available a $175,000 line of credit due on demand with interest payable monthly at prime. The line is collateralized by investments held by AJCA and NAJ *(Note 7)* and guaranteed by NAJ. No funds were drawn on the line of credit as of December 31, 2014 and 2013.

Note 6. Lease Commitments

Capital Lease Obligations. The Company is a lessee of equipment under capital leases, one which expired in 2013 and one which expires in 2017.

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

	2014	2013
Operating equipment	$ 10,558	$ 10,558
Less accumulated amortization	(5,103)	(2,991)
	$ 5,455	$ 7,567

The Company pays monthly capital lease payments of $882 for the lease expiring in 2017. Minimum future annual lease payments under the capital lease as of

December 31, 2014 are as follows:

Years Ending:	2015	2,112
	2016	2,112
	2017	1,055
		5,279
Less amount representing interest		–
Present value of minimum lease payments		5,279
Less current portion		(2,112)
Noncurrent portion		$ 3,167

Operating Lease Obligations. In 2013, the Company entered into a lease for equipment under an operating lease. The lease expires in 2018. Lease expense for the years ended totaled $25,159 and $26,951, respectively.

Future minimum lease payments for each of the next four years as of December 31, 2014 is as follows:

Years Ending:	2015	27,703
	2016	27,703
	2017	27,703
	2018	20,778
		$ 103,887

Note 7. Investments

Investments consist of the following at December 31:

	2014	2013
Money market	$ 35,177	$ 27,511
Mutual funds	1,441,942	1,398,425
	$ 1,477,119	$ 1,425,936

Total investment income consists of the following at December 31:

	2014	2013
Interest and dividend income	$ 28,776	$ 23,005
Net realized and unrealized gain on investments	60,393	144,156
	$ 89,169	$ 167,161

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.

	2014	2013
Interest and dividend income	$ 1,723	$ 1,378
Net realized and unrealized gain on investments	3,191	8,645
	$ 4,914	$ 10,023

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, 2014 and 2013. 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, 2014

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 181,025	$ 181,025	$ –	$ –
U.S. large-cap value	123,869	123,869	–	–
U.S. large-cap growth	230,806	230,806	–	–
U.S. mid-cap	88,312	88,312	–	–
U.S. small-cap	58,952	58,952	–	–
International	145,027	145,027	–	–
Emerging Markets	29,569	29,569	–	–
Fixed income mutual funds:				
Short-term	202,943	202,943	–	–
Multi-sector	80,738	80,738	–	–
High-yield	96,982	96,982	–	–
Intermediate	203,719	203,719	–	–
Total Assets	$ 1,441,942	$ 1,441,942	$ –	$ –

December 31, 2013

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 180,665	$ 180,665	$ –	$ –
U.S. large-cap value	122,797	122,797	–	–
U.S. large-cap growth	226,239	226,239	–	–
U.S. mid-cap	89,574	89,574	–	–
U.S. small-cap	60,265	60,265	–	–
International	147,019	147,019	–	–
Emerging Markets	29,616	29,616	–	–
Fixed income mutual funds:				
Short-term	188,384	188,384	–	–
Multi-sector	76,060	76,060	–	–
High-yield	90,057	90,057	–	–
Intermediate	187,749	187,749	–	–
Total Assets	$ 1,398,425	$ 1,398,425	$ –	$ –

Note 9. Subsequent Events

In March 2015, the Association received a favorable determination letter from the Internal Revenue Service to terminate its defined benefit plan. The Association expects to terminate the Plan during 2015.

The financial statements and related disclosures include evaluation of events up through and including April 10, 2015, which is the date the financial statements were available to be issued.

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

We have audited the accompanying consolidated financial statements of National All-Jersey Inc. and Subsidiary which comprise the statements of financial position, as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.
Columbus, Ohio
April 10, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS	**2014**	2013
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,277,700**	$ 734,886
Custodial cash	**209,795**	335,029
Investments	**552,884**	533,809
Accounts receivable, net	**68,605**	56,890
Interest receivable	**–**	423
Prepaid expenses	**1,418**	1,737
Total current assets	**2,110,402**	1,662,774
PROPERTY AND EQUIPMENT		
Land	**12,000**	12,000
Building	**87,256**	87,256
Furniture and equipment	**17,142**	11,393
Software development	**–**	79,652
Vehicles	**119,286**	119,286
	235,684	309,587
Less accumulated depreciation and amortization	**(136,654)**	(188,951)
Total property and equipment, net	**99,030**	120,636
	$2,209,432	$ 1,783,410
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 17,672**	$ 20,329
Advances due to American Jersey Cattle Association	**511,357**	668,847
Fees due consignors	**398,314**	93,357
Accrued expenses	**25,237**	31,369
Accrued payroll and related benefits	**29,745**	20,204
Advances and reserves for advertising	**31,828**	31,828
Accrued pension due to American Jersey Cattle Association	**93,549**	–
Deferred income	**52,921**	47,675
Total current liabilities	**1,160,623**	913,609
NONCURRENT LIABILITIES		
Accrued pension due to American Jersey Cattle Association	**–**	18,899
	–	18,899
Total liabilities	**1,160,623**	932,508
NET ASSETS		
Unrestricted:		
Designated	**156,685**	182,398
Undesignated	**892,124**	668,504
Total net assets	**1,048,809**	850,902
	$2,209,432	$ 1,783,410

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2014 and 2013

	2014	2013
REVENUES		
Equity project fees	$ 851,200	$ 807,237
Commissions	496,442	347,803
Interest and dividend income	10,815	8,729
Other	28,125	23,402
Total revenues	1,386,582	1,187,171
COST OF OPERATIONS		
Salaries, service, and administrative	949,853	984,842
Field services	113,836	101,612
Bad debt expense	12,810	6,474
Depreciation and amortization	20,929	19,215
Total costs of operations	1,097,428	1,112,143
CHANGE IN NET ASSETS FROM OPERATIONS	289,154	75,028
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain on investments	19,916	61,459
Pension expense	(85,450)	72,447
Total other income (expense)	(65,534)	133,906
Board authorized appropriation from Undesignated to Designated	–	(50,000)
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	223,620	158,934
EXPENDITURES AND TRANSFERS FROM DESIGNATED NET ASSETS		
Research and development	(25,713)	(568)
Board authorized appropriation from Undesignated to Designated	–	50,000
Total expenditures from Designated net assets	(25,713)	49,432
CHANGE IN NET ASSETS	197,907	208,366
NET ASSETS, beginning	850,902	642,536
NET ASSETS, ending	$1,048,809	$ 850,902

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 consolidated 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 $156,685 and $182,398 for 2014 and 2013, respectively. In 2013, the Board of Directors authorized an additional $50,000 be designated for research and development.

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, 2014 and 2013, 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, 2014 and 2013, 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 statements 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 $10,000 as of December 31, 2014 and 2013. Bad debt expense of $12,810 and $6,474 was recognized for 2014 and 2013, 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 2014 and 2013 include reimbursements of $206,330 and $185,129, 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. The Company files tax returns in all appropriate jurisdictions. For the years ended December 31, 2014 and 2013, 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 2011.

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	31½ years
Furniture and equipment	10 years
Software development	15 years
Vehicles	3–5 years

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

Advertising. The Company's advertising efforts are associated with nondirect-response programs. The costs are expensed in the period of the related advertisement. The Company expensed $17,532 and $15,337 for the years ended December 31, 2014 and 2013, 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 evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying consolidated financial statements and related disclosures consider events through April 10, 2015, the date which the consolidated financial statements were available to be issued.

Note 2. Functional Expenses

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

	2014	2013
National All-Jersey Equity program	$ 477,052	$ 459,466
Accounting, administration, general and field service	258,893	155,311
All-Jersey Sales (JMS)	446,933	424,919
Total cost of operations and pension expense	$1,182,878	$1,039,696

Note 3. Advances and Reserves for Advertising

	December 31, 2014	December 31, 2013
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), a related party. Effective December 31, 2002, the Board of Directors of AJCA froze the Plan. In March 2014, the Board of Directors authorized the Association to terminate the Plan. The Plan's administrator has not determined the amount required to fund the Plan for termination which could be in excess of the accrued pension obligation. The Plan 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. As a result of the decision to terminate the Plan, the investments were transferred to a bond fund. AJCA received a favorable determination letter from the Internal Revenue Service in March 2015 to terminate the Plan.

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, 2014 and 2013, NAJ has included on its statement of activities pension plan (income)/expense of $85,450 and $(72,447), respectively.

The amount of accrued pension obligation was $93,549 and $18,899 at December 31, 2014 and 2013, 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 2014 and 2013 amounted to $5,872 and $7,527, respectively.

Note 5. Designation of Net Assets

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

	2014	2013
Research and development: Increased annually on a discretionary basis, $50,000 in 2013. In 2014 and 2013, there were expenditures of $25,713 and $568, respectively, from the research and development designated net assets.	$ 156,685	$ 182,398

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	2014	2013
Provision for doubtful accounts	$ 1,700	$ 1,700
Net operating loss	112,600	115,700
Gross deferred tax assets	114,300	117,400
Less valuation allowance	(114,300)	(117,400)
Net deferred tax assets	$ –	$ –

For the year ended December 31, 2014, AJSC incurred net operating income and the future deductible net operating loss carry forward was reduced. For the year ended December 31, 2013 the 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, 2014, the Company had approximately $662,000 of federal net operating losses. The net operating loss carry forwards, if not utilized, will begin to expire in 2029.

Note 7. Lines of Credit

At December 31, 2014 and 2013, AJSC has available a $175,000, due on demand, line of credit with interest payable monthly at prime (3.25% at December 31, 2014 and 2013). The line is collateralized by investments held by NAJ and AJCA. Effective November 19, 2014, NAJ is a guarantor on the line of credit. No funds were drawn on the line at December 31, 2014 and 2013.

Note 8. Investments

Investments consisted of the following at December 31:

	2014	2013
Money market	$ 13,149	$ 10,306
Mutual funds	539,735	523,503
	$ 552,884	$ 533,809

Investment income consists of the following:

	2014	2013
Interest and dividend income	$ 10,815	$ 8,729
Net realized and unrealized loss on investments	19,916	61,459
	$ 30,731	$ 70,188

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, 2014 and 2013. 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, 2014

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 67,757	$ 67,757	$ –	$ –
U.S. large-cap value	46,364	46,364	–	–
U.S. large-cap growth	86,423	86,423	–	–
U.S. mid-cap	33,055	33,055	–	–
U.S. small-cap	22,066	22,066	–	–
International	54,284	54,284	–	–
Emerging Markets	11,068	11,068	–	–
Fixed income mutual funds:				
Short-term	75,961	75,961	–	–
High-yield	36,300	36,300	–	–
Multi-sector	30,205	30,205	–	–
Intermediate	76,252	76,252	–	–
Total Assets	$ 539,735	$ 539,735	$ –	$ –

December 31, 2013

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 67,633	$ 67,633	$ –	$ –
U.S. large-cap value	45,970	45,970	–	–
U.S. large-cap growth	84,678	84,678	–	–
U.S. mid-cap	33,533	33,533	–	–
U.S. small-cap	22,561	22,561	–	–
International	55,038	55,038	–	–
Emerging Markets	11,087	11,087	–	–
Fixed income mutual funds:				
Short-term	70,523	70,523	–	–
High-yield	33,714	33,714	–	–
Multi-sector	28,481	28,481	–	–
Intermediate	70,285	70,285	–	–
Total Assets	$ 523,503	$ 523,503	$ –	$ –

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

LEADING INDICATORS OF JERSEY BREED GROWTH AND IMPROVEMENT

	2014	2004	1994	Change ('14 v. '94)
Identification				
Animals recorded	118,235	73,030	56,165	110.5%
Animals transferred	45,578	19,697	24,213	88.2%
Performance Programs				
Herds enrolled	1,102	937	860	28.1%
Cows enrolled	162,536	105,026	62,853	158.6%
Production *(AJCA lactations, 305-day, 2x, ME)*				
Protein, true *(*measured as total protein)*	713	641	543*	31.3%
Milk	19,560	18,090	15,567	25.7%
Fat	944	826	719	31.3%
Equity Investment	$ 851,200	$ 398,126	$ 207,280	310.7%
Jersey Marketing Service				
Gross for private treaty sales	$3,676,226	$2,841,246	$1,854,220	98.3%
Gross for public sales	$5,826,035	$7,407,025	$3,144,596	85.3%
Combined Net Assets	$3,332,889	$1,938,119	$ 1,822,215	82.9%

American Jersey Cattle Association Board of Directors

Chris Sorenson
President

National All-Jersey Inc. Board of Directors

David Endres
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