

2015
YEAR IN REVIEW



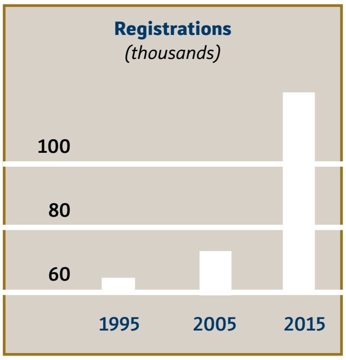
AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
ALL-JERSEY SALES CORPORATION

Report to the Membership

It is a privilege to present the 2015 Annual Reports of the American Jersey Cattle Association and National All-Jersey Inc. 2015 was a year of sustained performance by the Jersey breed and your organizations in unrelenting pursuit of three objectives:

- To improve the productive capacity and profitability of Jersey cows in all operations,
- To promote the advantages of the Jersey breed everywhere, and
- To increase the demand for and add to the value of Jersey milk, Jersey cattle and Jersey genetics—in markets near and far.

These are the accomplishments of 2015.

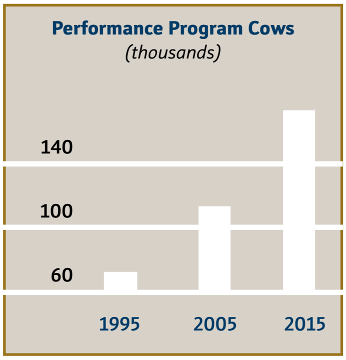


Jersey breed growth was reflected in yet another record for registrations.

Registrations are the single most important measure of the current status and future prospects for the breed, as well as our organizations' success in meeting the needs of Jersey owners. In 2015, the association recorded 122,701 animals across all programs. Total registrations increased 3.8% over the 2014 tally of 118,235, the previous all-time record. 2015 was the fourth consecutive year that registrations have exceeded 100,000 animals.

Breeders submitted 80% of applications using a variety of electronic and web-based applications. To meet the permanent ID requirement, 63% of calves registered were identified by double-matched approved eartags. JerseyTag sales posted the third-best year in history at 290,006 units. Ownership transfers were 17,245.

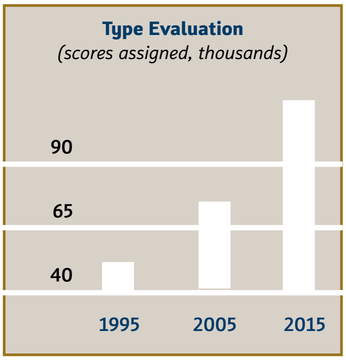
Semen sales are the leading indicator of AJCA registrations and Jersey breed growth. In 2015, for the first time in history, domestic sales of Jersey semen exceeded three million units. The National Association of Animal Breeders reported that domestic sales gained 2.8% over 2014 to end the year at 3,053,900 units marketed. That is a 296% increase from 2000, when Jersey's domestic market share was 5.8%. Now, it is 12.8%. Combined domestic and export sales (excluding custom collection) were 4,250,673 units, down 1.7% from the record set in 2014. Export sales were generally impacted by a strong U.S. dollar.



With growth, more owners utilize AJCA performance and type services.

AJCA services support breeding and managing a cow to produce milk's most valuable components more efficiently, more profitably and to outlast the competition anywhere. Producer confidence in those programs was reflected in record participation during the year.

Across all performance evaluation programs, 169,913 cows were enrolled at December 31, up 4.5% from 2014, of which 164,118 were in REAP herds, a gain of 4.0% from the previous year. Both are new records. The 986 herds on REAP was also an all-time record. Total herd participation increased compared to 2014 and ended the year at 1,165 herds.



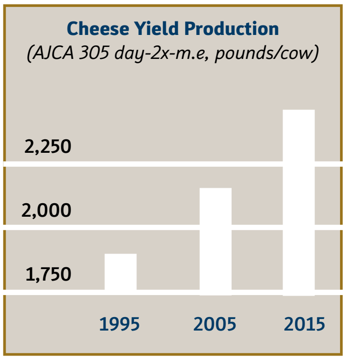
For the third consecutive year, more than 100,000 cows were evaluated and a new record set by the linear type traits appraisal program. A total of 119,545 scores and breakdowns were made by evaluators in 1,727 herd visits during 2015. That was an increase of 8.7% in cows scored from 2014.

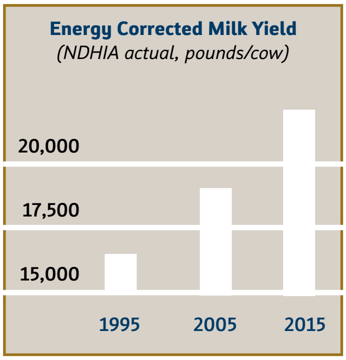
The AJCA processed 113,897 lactations in 2015, a new record. Production per cow was 19,927–960–727 and 2,472 lbs. cheese yield (305-2x-m.e.). Actual 305-day production was equivalent to 21,471 lbs. on the basis of 3.5% fat, 3.2% protein energy-corrected milk.

The Council on Dairy Cattle Breeding reported that 10.8% of breed-identified lactation records used for national genetic evaluations in 2015 came from Jersey cows. Compared to the previous year, Jersey calvings increased by 8.2%—the most of any breed—and average gains per cow ranked first among all breeds for protein (23 lbs.) and were second only to Milking Shorthorn for milk (up 3.3%) and fat yield (29 lbs.).

The gains in production have not come at the cost of functional type. Analysis of AJCA type trends through 2015 reveals continuous genetic improvement, particularly for udder traits, for not only the most recent five-year period, but also back 10 years and 20 years.

The CDCB also reported that more Jersey genotypes were added in 2015 than in any previous year: 37,901, of which 34,380 were for females and 3,521 for males. As we started 2016, 3,004 individual owners had genotyped animals in the AJCA database.





Let's pause to put some perspective on Jersey breed growth.

While Jersey has been the only breed to show continuous growth from the '90s forward, 2008 stands apart as the association's breakout year. Registrations have increased 29.5% from 2008's baseline of 94,774, and REAP enrollments by 32.7% from 123,656 cows. The registration record has been broken in seven of the past eight years, with new records set for performance program enrollments and per-cow production in all eight.

The goal yet to be achieved: Equity for all.

A principle that drives every dairy business—our entire economy, in fact—can be summed up in one statement: *"He produces what he's paid for."*

Since the launch of Project Equity in 1976, National All-Jersey Inc. has worked on behalf of milk producers and the American dairy industry to advocate for pricing systems that pay for milk based on its most valuable components—milkfat and protein—in accord with their use in consumer products. NAJ has been involved with every effort to move Federal Order and state milk pricing to a component basis. In the 1970s and 1980s, NAJ staff worked tirelessly to obtain individual state approval to allow protein pricing programs of any sort. Since those early days, multiple component pricing (MCP) has expanded to cover 90% of all regulated milk pricing, due in great part to enabling language contained in the 1995 Farm Bill that was implemented January 1, 2000.

Forty years on, NAJ continues its efforts to extend MCP to 100% of the milk market. Last year, 1,063 members invested a record $873,301 in this work. Progress has been made in the southeast Orders of 5, 6 and 7 to analyze the impact of MCP in those markets and educate producers about how it works. NAJ also presented testimony at the landmark California Federal Order hearing conducted late in 2015, arguing that:

> *Changing California's regulated milk pricing to pay separately for pounds of protein and other solids will be an improvement over the current system which pays for pounds of SNF. Producers will be compensated for protein's greater value and will be incentivized to increase their protein production. The California dairy industry will benefit from increased protein production through increased yields of cheese, protein-standardized whey products, skim milk powder and whole milk powder and also less fortification needed for Class I products.*

What Equity has done to increase the value of and demand for Jersey milk and Jersey cattle has been a tremendous return for the $12,947,686 invested since 1976 to advocate for Equity. The work will not stop until all producers are paid full value for their milk.

Demand for Jerseys drives prices to historical peaks.

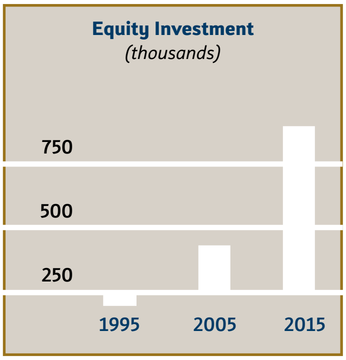
2015 marked the completion of 45 years of operations for Jersey Marketing Service. The total value of Registered Jersey™ cattle and genetics marketed by JMS during the year was $7,952,415 (3,735 live animals, 145 embryo lots, 262 lots of semen). Public sale management accounted for 61% of the year's gross, the balance coming from domestic and international private treaty.

High demand and limited supply pushed prices at JMS-managed sales to levels not seen since 2007. Live animals at public auction (2,161 head) averaged $2,231.23, and embryos $305.63 (80 lots). At private treaty, 59 different buyers from 35 states plus Canada, Mexico and Puerto Rico paid an average of $1,944.08 for live animals (1,574) and $570.38 for embryos (65 lots).

As reported by *Jersey Journal,* the average price paid for Registered Jerseys™ sold at public auction in 2015 was $2,691.44, a few dollars higher than the previous record of $2,686.71

set in 2014. Five of the top 10 auction sales of 2015 were managed by JMS, with The 63rd All American Jersey Sale ranked second on its average of $8,828.43 on 51 lots.

A subsidiary of National All-Jersey Inc., JMS is unique among dairy cattle marketing companies. Its operating policies, set by the NAJ Board of Directors, serve the best interests of Jersey owners. 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.



Stories of accomplishment are reported every month in *Jersey Journal*.

The only monthly publication in the world devoted exclusively to the Jersey breed, *Jersey Journal* printed 1,088 pages in 2015, including 516 advertising pages. Published across seven different decades, the magazine captures and conveys the stories of individual cows, herds and their owners, all part and parcel of the collective accomplishments of the Jersey breed and your organizations. The fourth Great Cow Contest ran from February through December in 2015, followed by more than 2,400 subscribers and many, many more readers. They voted for Huronia Centurion Veronica 20J to join the short list of previous contest luminaries: Duncan Belle (2000), Generators Topsy (1985), The Trademarks Sable Fashion (1971), and Jesters Royal Maid (1950).

Fourth class of Jersey Youth Academy advised to "outgrow expectations."

With full involvement of Ohio-based staff, plus the presidents of both organizations and a roster of outstanding guest speakers, a fourth Jersey Youth Academy was held in 2015. What we expect of this intensive, week-long program was crystallized for the 22 class members when our keynote speaker stated, "I think all of you are shooting a little low with your goals.

"I thought if I got to 500 cows, I'd be in tall cotton," said Jim Ahlem, past President of National All-Jersey Inc., "and if I was getting 45 lbs. milk that would be wonderful. Today, in partnership with my sons, we milk over 4,000 cows and are getting 70 to 80 lbs. milk out of those cows."

Get involved and stay involved with the AJCA and NAJ, he counseled. "You'll outgrow expectations."

A total of 128 young people from 32 states have now participated in Jersey Youth Academy. Their program costs have been paid forward by donors to the Academy fund, started by the syndication of BW Academy-ET (2008) and the all-donation 2011 National Heifer Sale.

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
Greg Lavan

The Jersey organizations are financially sound.

Our organizations—with combined active membership exceeding 3,150—are financially well positioned for continued growth. The AJCA and NAJ ended 2015 with combined net income from operations of $353,295. The Boards set aside a total of $100,000 in designated assets for research and development. Our balance sheet is strong with combined net assets of $3,622,202.

The AJCA and NAJ are widely regarded as progressive organizations.

I have previously written about the key moments in our history that brought us to where we are today, the policy decisions made and programs created to improve Jersey profitability and create better markets for Jersey milk and Jersey genetics. Every time I study those decisions, I think to myself, changing the cow was just as important as changing the milk market. One without the other would have produced limited results.

That is the reason our organizations exist and why we want them to grow and prosper. To be a member of the American Jersey Cattle Association and National All-Jersey Inc. is to make a commitment to the progress and profitability of the American dairy business with Registered Jerseys™. Thank you for making that commitment. It is the cornerstone of Jersey breed improvement and growth.

Neal Smith

Executive Secretary and Chief Executive Officer

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

Outline History of Jerseys and the U.S. Jersey Organizations

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

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

1868 The American Jersey Cattle Club organized, the first national dairy cattle 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 office 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. Official Performance Certificate introduced. 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.

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. REAP program completes first decade with record 108,786 cows in 728 herds. Royalties paid to five regional young sire groups since inception tops $1 million.

2006 USDA-AIPL revision of Productive Life evaluations shows Jerseys have 183-day advantage over industry average. 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. Jersey Marketing Service posts best year in its history with gross sales of $13,089,073. Commercial genotyping test (Illumina BovineSNP50 chip) released. Jersey Udder Index™ implemented.

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). All-time record set for lifetime milk production (Duncan Hibrite of Family Hill). 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. Genomic evaluations become official. First North American Jersey Cheese Awards conducted. Inaugural class of Jersey Youth Academy.

2010 Combined domestic–export Jersey semen sales exceed 3 million units for first time in history. First-generation low-density genomic test released. Pot O'Gold Sale is first auction of any breed featuring entirely genotyped offering. Ratliff Price Alicia is first cow selected National Grand Champion for three consecutive years. NAJ-funded and peer-reviewed research determines 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 (2009). Fundraising goal exceeded as 73 donated heifers drive Vision Gift campaign for Jersey Youth Academy. Domestic Jersey semen sales exceed 2 million units for first time in history.

2012 For first time, association records 100,000 animals (December 27) and processes 100,000 lactations. Record average set at Pot O'Gold Sale ($5,331.67).

2013 Registrations of 112,265 set new record. For the first time, over 100,000 cows scored in type appraisal program, official production average over 19,000 pounds milk and combined domestic–export Jersey semen sales exceed 4 million units.

2014 Registration record reset at 118,235. Through 40 years, 508,112 females recorded through Genetic Recovery, 19.5% of all registrations. Investment in Project Equity since 1976 surpasses $12 million. Jersey Performance Index™ is revised with weights of 58% production, 20% udder health, 11% herd life and 11% fertility. Records established for series average at National Heifer Sale ($6,555.88) and The All American Sale ($11,972.78).

2015 New records set for registrations (122,701), all performance programs enrollment (169,913 cows), REAP enrollment (164,118 cows, 986 herds) and linear type evaluation (119,545 scores). Official breed average increases to 19,927 lbs. milk, 960 lbs. fat, and 727 lbs. protein, 2,472 lbs. cheese yield, on 113,897 lactations. All-time records established for lifetime fat and protein production (Mainstream Jace Shelly). Domestic semen sales exceed 3 million units for first time, market share rises to 12.8%. U.S. Jersey auction sales average of $2,691.44 sets all-time record.

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 $353,295 for the year ended December 31, 2015.

American Jersey Cattle Association

Revenues	$ 3,715,358
Expenditures	$ 3,571,203
Net Income from Operations (Before All American and Other Income and Expense)	$ 144,155

National All-Jersey Inc. and Subsidiary

Revenues	$ 1,304,077
Expenditures	$ 1,094,937
Net Income from Operations (Before Other Income and Expense)	$ 209,140

The companies recorded strong participation in most of the core service areas. Combined revenues are as follows:

Identification Services	41%
Performance Services	18%
Equity	16%
Jersey Journal	9%
Cattle Marketing Services	7%
Other	9%

The organizations' marketable securities are reported at market value of $1,945,252. Due to the decrease in market values compared to 2014, an unrealized loss was recorded at December 31, 2015 to reflect the variance in cost versus fair market value of the companies' investments.

The AJCA terminated the defined benefit pension plan during 2015 with plan assets disbursed to participants. The Association received a favorable ruling from the Internal Revenue Service.

The companies reported net assets at December 31, 2015 of:

American Jersey Cattle Association	$ 2,383,495
National All-Jersey Inc. and Subsidiary	$ 1,238,707
Total (combined) Net Assets	$ 3,622,202

The AJCC Research Foundation reported net assets of $1,949,527 at year-end December 31, 2015. The Research Foundation supported three projects totaling $24,851. The scholarship funds administered by the AJCA awarded 10 scholarships totaling $20,824. Total combined net assets in the scholarship funds as of December 31, 2015 were $432,189. A total of 22 youth attended the fourth Jersey Youth Academy in 2015. Net assets held in the Jersey Youth Academy Fund at December 31, 2015 were $465,944.

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, 2015 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, 2015 and 2014, 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, 2015 and 2014, 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 5, 2016

AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	**$ 584,849**	$ 889,326
Investments	**264,107**	275,658
Accounts receivable, net	**416,367**	391,234
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	**637,565**	511,357
Supplies and inventories	**20,995**	25,960
Prepaid expenses and other assets	**89,867**	83,427
Total current assets	**2,013,750**	2,176,962
PROPERTY AND EQUIPMENT		
Land	**68,000**	68,000
Building	**494,448**	494,448
Operating equipment	**1,721,357**	1,641,625
Software development	**135,953**	147,391
	2,419,758	2,351,464
Less accumulated depreciation and amortization	**(1,982,353)**	(1,893,606)
Total property and equipment, net	**437,405**	457,858
OTHER ASSETS		
Investments	**1,151,421**	1,201,461
Advances due National All-Jersey Inc. and All-Jersey Sales Corporation	**–**	93,549
Total other assets	**1,151,421**	1,295,010
	$ 3,602,576	$ 3,929,830

LIABILITIES AND NET ASSETS	2015	2014
CURRENT LIABILITIES		
Current portion of capital lease obligations	**$ 2,122**	$ 2,112
Current portion of unexpired subscriptions and directory listings	**29,512**	27,863
Current portion of note payable	**71,798**	–
Accounts payable	**163,570**	182,992
Accrued expenses	**82,035**	177,952
Awards, The All American Show & Sale	**69,728**	71,757
Awards, National Jersey Jug Futurity	**12,826**	13,487
Accrued pension obligation	**–**	519,732
Unearned fees and remittances	**477,446**	609,547
Total current liabilities	**909,037**	1,605,442
NONCURRENT LIABILITIES		
Capital lease obligations, net of current portion	**1,045**	3,167
Unexpired subscriptions and directory listings, net of current portion	**35,608**	37,141
Note payable, net of current portion	**273,391**	–
	310,044	40,308
Total liabilities	**1,219,081**	1,645,750
NET ASSETS		
Unrestricted:		
Designated	**1,318,240**	1,326,931
Undesignated	**1,065,255**	957,149
Total net assets	**2,383,495**	2,284,080
	$ 3,602,576	$ 3,929,830

See Notes to the Financial Statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2015 and 2014

	2015	2014
REVENUES		
Fees	**$ 3,136,593**	$ 3,130,982
Jersey Journal advertising and subscriptions	**495,383**	523,223
Interest and dividend income	**44,779**	27,053
Other	**38,603**	32,440
Total revenues	**3,715,358**	3,713,698
COST OF OPERATIONS		
Salaries, service, and administrative	**2,997,670**	2,858,797
Jersey Journal publishing	**420,925**	504,134
Depreciation and amortization	**145,569**	127,938
Interest expense	**7,039**	–
Total cost of operations	**3,571,203**	3,490,869
INCREASE IN NET ASSETS FROM OPERATIONS	**144,155**	222,829
OTHER INCOME (EXPENSE)		
Net gain (loss) from The All American Show and Sale	**(8,808)**	23,489
Net realized and unrealized gain (loss) on investments	**(15,997)**	8,330
Net periodic pension income (expense)	**38,756**	(38,756)
Total other income (expense)	**13,951**	(6,937)
Board authorized appropriation from Undesignated to Designated	**(50,000)**	–
CHANGE IN UNDESIGNATED NET ASSETS	**108,106**	215,892
EXPENDITURES AND TRANSFERS TO DESIGNATED NET ASSETS		
Research and development expenses	**(8,651)**	(26,426)
Net realized and unrealized gain (loss) on investments	**(50,040)**	41,672
Board authorized appropriation from Undesignated to Designated	**50,000**	–
Expenditures and transfers to Designated net assets	**(8,691)**	15,246
CHANGE IN NET ASSETS BEFORE EFFECT OF POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COST	**99,415**	231,138
POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC PENSION COST	**–**	350,517
CHANGE IN NET ASSETS	**99,415**	(119,379)
NET ASSETS, beginning	**2,284,080**	2,403,459
NET ASSETS, ending	**$ 2,383,495**	$ 2,284,080

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 Accounting Standards Codification (ASC). 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 $1,151,421 and $166,819 for 2015 and $1,201,461 and $125,470 for 2014, 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, 2015 and 2014, 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, 2015 and 2014, 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.

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.

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.

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 $62,000 and $60,000 as of December 31, 2015 and 2014, 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 $15,140 and $13,210 was recognized for the years ended December 31, 2015 and 2014, 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. There were no impaired losses recognized in 2015 or 2014.

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 2015 and 2014, these activities include primarily magazine advertising. Income tax expense for 2015 and 2014 totaled $4,562 and $-0-, respectively.

The Association follows ASC 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, 2015 and 2014, management has determined that there are no material uncertain tax positions. The Association files Forms 990 and 990T in the U.S. federal jurisdiction.

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 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 $260,292 and $206,330 for 2015 and 2014, 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, 2015 and 2014.

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, 2015 and 2014 of $-0- and $93,549, 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 $6,816 and $6,751 for the years ended

December 31, 2015 and 2014, 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 Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements and related disclosures consider events through April 5, 2016, the date which the financial statements were available to be issued.

Note 2. Functional Expenses

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

	2015	2014
Records	$ 1,189,440	$ 1,136,823
Data processing	416,982	439,220
Performance	684,497	730,454
Jersey Journal	420,925	504,134
Information	115,167	139,673
Field	508,250	557,775
Accounting, administration, and general	197,186	372,063
Total cost of operations	$ 3,532,447	$ 3,880,142

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. AJCA terminated the Plan in 2015 with plan assets disbursed to participants. The Plan was 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. Additionally, in 2015, AJCA was notified by Pension Benefit Guaranty Corporation ("PBGC") that the Plan was selected for audit. AJCA has been notified by PBGC that the audit was closed with no adjustments.

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

	2015	2014
Pension benefit obligation		
Balance, beginning of year	$ 2,116,713	$ 1,724,429
Interest cost	20,195	80,160
Actuarial loss (gain)	(86,683)	397,183
Benefits paid	(2,050,225)	(85,059)
Balance, end of year	–	2,116,713
Plan Assets		
Fair value, beginning of year	1,596,981	1,619,420
Actual returns on Plan assets	(13,484)	2,620
Employer contributions	466,728	60,000
Benefits paid	(2,050,225)	(85,059)
Fair value, end of year	–	1,596,981
Accrued pension obligation	$ –	$ 519,732

Assumptions used in the accounting as of December 31:

	2015	2014
Discount rate	n/a	3.70%
Long-term rate of return	n/a	n/a

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

	2015	2014
Interest cost	$ 20,195	$ 80,160
Actual return on Plan assets	13,484	(2,620)
Actuarial loss (gain)	(86,683)	397,183
Total pension expense	(53,004)	474,723
Less pension expense of NAJ and Subsidiary	14,248	(85,450)
Pension expense of AJCA	$ (38,756)	$ 389,273

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

	2015	2014
Unrecognized net loss	$ –	$ 73,000

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. In 2015 the assets were fully disbursed to the Plan participants.

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	$ –

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 2015 and 2014 amounted to $24,308 and $25,159, respectively.

Note 4. Designation of Net Assets

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

	2015	2014
Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)*	$ 1,151,421	$ 1,201,461
Research and development - increased annually on a discretionary basis	166,819	125,470
	$ 1,318,240	$ 1,326,931

In 2015 and 2014, there were expenditures of $8,651 and $26,426, respectively, from the research and development designated net assets. In 2015 and 2014, the Board of Directors authorized and appropriation from undesignated to research and development of $50,000 and $-0-, respectively.

Note 5. Lines of Credit

At December 31, 2015 and 2014, the Association has available a $100,000 line of credit due on demand with interest payable monthly at prime (3.50% and 3.25% at December 31, 2015 and 2014, respectively). The line was collateralized by investments held by AJCA and NAJ *(Note 8)*. 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, 2015 or 2014.

At December 31, 2015 and 2014, 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 8)* and guaranteed by NAJ. No funds were drawn on the line of credit as of December 31, 2015 and 2014.

Note 6. Note Payable

In June 2015, the Association entered into a note payable agreement with a bank for $380,000 bearing interest at 3.81%. The note requires monthly payments of $6,975, including principal and interest. The note is payable in full in June 2020. The note is collateralized by all property of the Association.

Maturities of the note payable in each of the next five years are approximately as follows:

Years Ending:	2016	$ 71,798
	2017	74,581
	2018	77,473
	2019	80,477
	2020	40,860
		$ 345,189

There has been no significant change in interest rates available to the Association. Therefore, the fair value of the note payable approximates the carrying value.

Note 7. Lease Commitments

Capital Lease Obligation. The Company is a lessee of equipment under capital lease which expires in 2017.

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

	2015	2014
Operating equipment	$ 10,558	$ 10,558
Less accumulated amortization	(7,215)	(5,103)
	$ 3,343	$ 5,455

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, 2015 are as follows:

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

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 December 31, 2015 and 2014 totaled $27,703 and $25,159, respectively.

Future minimum lease payments for each of the next three years as of December 31, 2015 is as follows:

Years Ending:	2016	27,703
	2017	27,703
	2018	20,778
		$ 76,184

Note 8. Investments

Investments consist of the following at December 31:

	2015	2014
Money market	$ 31,365	$ 35,177
Mutual funds	1,384,163	1,441,942
	$ 1,415,528	$ 1,477,119

Total investment income consists of the following at December 31:

	2015	2014
Interest and dividend income	$ 47,633	$ 28,776
Net realized and unrealized gain (loss) on investments	(70,246)	53,193
	$ (22,613)	$ 81,969

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

	2015	2014
Interest and dividend income	$ 2,854	$ 1,723
Net realized and unrealized gain (loss) on investments	(4,209)	3,191
	$ (1,355)	$ 4,914

Note 9. Fair Value Measurements

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities. The ASC 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, 2015 and 2014. 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, 2015

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 169,142	$ 169,142	$ –	$ –
U.S. large-cap value	121,284	121,284	–	–
U.S. large-cap growth	220,895	220,895	–	–
U.S. mid-cap	84,443	84,443	–	–
U.S. small-cap	56,341	56,341	–	–
International	141,415	141,415	–	–
Emerging Markets	28,085	28,085	–	–
Fixed income mutual funds:				
Short-term	196,627	196,627	–	–
Multi-sector	77,632	77,632	–	–
High-yield	92,667	92,667	–	–
Intermediate	195,632	195,632	–	–
Total Assets	$ 1,384,163	$ 1,384,163	$ –	$ –

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	$ –	$ –

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, 2015 and 2014, 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, 2015 and 2014, 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 5, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,072,307**	$ 1,277,700
Custodial cash	**331,062**	209,795
Investments	**529,724**	552,884
Accounts receivable, net	**160,068**	68,605
Prepaid expenses	**104**	1,418
Total current assets	**2,093,265**	2,110,402
PROPERTY AND EQUIPMENT		
Land	**12,000**	12,000
Building	**87,256**	87,256
Furniture and equipment	**18,372**	17,142
Vehicles	**119,286**	119,286
	236,914	235,684
Less accumulated depreciation and amortization	**(164,134)**	(136,654)
Total property and equipment, net	**72,780**	99,030
	$ 2,166,045	$ 2,209,432

LIABILITIES AND NET ASSETS	2015	2014
CURRENT LIABILITIES		
Accounts payable	**$ 19,932**	$ 17,672
Advances due to American Jersey Cattle Association	**637,565**	511,357
Fees due consignors	**124,686**	398,314
Accrued expenses	**21,414**	25,237
Accrued payroll and related benefits	**35,469**	29,745
Advances and reserves for advertising	**31,828**	31,828
Accrued pension due to American Jersey Cattle Association	**–**	93,549
Deferred income	**56,444**	52,921
Total current liabilities	**927,338**	1,160,623
NET ASSETS		
Unrestricted:		
Designated	**199,472**	156,685
Undesignated	**1,039,235**	892,124
Total net assets	**1,238,707**	1,048,809
	$ 2,166,045	$ 2,209,432

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2015 and 2014

	2015	2014
REVENUES		
Equity project fees	**$ 873,301**	$ 851,200
Commissions	**378,584**	496,442
Interest and dividend income	**17,858**	10,815
Other	**34,334**	28,125
Total revenues	**1,304,077**	1,386,582
COST OF OPERATIONS		
Salaries, service, and administrative	**961,725**	949,853
Field services	**109,530**	113,836
Bad debt expense (recovery)	**(3,798)**	12,810
Depreciation and amortization	**27,480**	20,929
Total costs of operations	**1,094,937**	1,097,428
CHANGE IN NET ASSETS FROM OPERATIONS	**209,140**	289,154
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain (loss) on investments	**(26,277)**	19,916
Pension expense (expense)	**14,248**	(85,450)
Total other income (expense)	**(12,029)**	(65,534)
Board authorized appropriation from Undesignated to Designated	**(50,000)**	–
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**147,111**	223,620
EXPENDITURES AND TRANSFERS FROM DESIGNATED NET ASSETS		
Research and development	**(7,213)**	(25,713)
Board authorized appropriation from Undesignated to Designated	**50,000**	–
Total expenditures from Designated net assets	**42,787**	(25,713)
CHANGE IN NET ASSETS	**189,898**	197,907
NET ASSETS, beginning	**1,048,809**	850,902
NET ASSETS, ending	**$ 1,238,707**	$ 1,048,809

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 in accordance with accounting principles generally accepted in the United States.

Basis of presentation. The consolidated financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC). 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 $199,472 and $156,685 for 2015 and 2014, respectively. In 2015, 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, 2015 and 2014, 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, 2015 and 2014, there were no permanently restricted net assets.

Use of estimates. The preparation of consolidated 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 consolidated 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 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 $15,000 and $10,000 as of December 31, 2015 and 2014, respectively. Bad debt expense (recovery) of ($3,798) and $12,810 was recognized for 2015 and 2014, 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 2015 and 2014 include reimbursements of $260,292 and $206,330, 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. There were no impairment losses recognized in 2015 or 2014.

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 ASC 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, 2015 and 2014, management has determined that there are no material uncertain tax positions.

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
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 $17,184 and $17,532 for the years ended December 31, 2015 and 2014, 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 5, 2016, 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:

	2015	2014
National All-Jersey Equity program	$ 458,787	$ 477,052
Accounting, administration, general and field service	270,603	258,893
All-Jersey Sales (JMS)	351,299	446,933
Research and development	7,213	25,713
Total cost of operations and pension expense	$1,087,902	$1,208,591

Note 3. Advances and Reserves for Advertising

	December 31, 2015	December 31, 2014
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 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 received a favorable determination letter from the Internal Revenue Service in March 2015 to terminate the Plan and the plan was terminated. Additionally, in 2015, AJCA was notified by Pension Benefit Guaranty Corporation ("PBGC") that the Plan was selected for audit. AJCA has been notified by PBGC that the audit was closed with no adjustments.

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, 2015 and 2014, NAJ has included on its statement of activities pension plan (income) expense of ($14,248) and $85,450, respectively.

The amount of accrued pension obligation was $-0- and $93,549 at December 31, 2015 and 2014, respectively. The accrued pension obligation was payable to AJCA and was paid in full in 2015.

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 2015 and 2014 amounted to $6,272 and $6,232, respectively.

Note 5. Designation of Net Assets

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

	2015	2014
Research and development: Increased annually on a discretionary basis, $50,000 in 2015. In 2015 and 2014, there were expenditures of $7,213 and $25,713, respectively, from the research and development designated net assets.	$ 199,472	$ 156,685

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	2015	2014
Provision for doubtful accounts	$ 2,600	$ 1,700
Net operating loss	105,100	112,600
Gross deferred tax assets	107,700	114,300
Less valuation allowance	(107,700)	(114,300)
Net deferred tax assets	$ –	$ –

For the year ended December 31, 2015, AJSC incurred net operating income and the future deductible net operating loss carry forward was reduced. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2015, the Company had approximately $618,000 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, 2015 and 2014, AJSC has available a $175,000, due on demand, line of credit with interest payable monthly at prime (3.5% and 3.25% at December 31, 2015 and 2014, respectively). 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, 2015 and 2014.

Note 8. Investments

Investments consisted of the following at December 31:

	2015	2014
Money market	$ 11,745	$ 13,149
Mutual funds	517,979	539,735
	$ 529,724	$ 552,884

Investment income consists of the following:

	2015	2014
Interest and dividend income	$ 17,858	$ 10,815
Net realized and unrealized loss on investments	(26,277)	19,916
	$ (8,419)	$ 30,731

Note 9. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. The ASC 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, 2015 and 2014. 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, 2015

Asset Category	Total	Level 1	Level 2	Level 3
Equity mutual funds:				
U.S. large-cap core	$ 63,297	$ 63,297	$ –	$ –
U.S. large-cap value	45,387	45,387	–	–
U.S. large-cap growth	82,684	82,684	–	–
U.S. mid-cap	31,600	31,600	–	–
U.S. small-cap	21,084	21,084	–	–
International	52,921	52,921	–	–
Emerging Markets	10,510	10,510	–	–
Fixed income mutual funds:				
Short-term	73,582	73,582	–	–
High-yield	34,678	34,678	–	–
Multi-sector	29,026	29,026	–	–
Intermediate	73,210	73,210	–	–
Total Assets	$ 517,979	$ 517,979	$ –	$ –

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	$ –	$ –

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

LEADING INDICATORS OF JERSEY BREED GROWTH AND IMPROVEMENT

	2015	2005	1995	Change ('15 v. '95)
Identification				
Animals recorded	122,701	72,885	63,399	93.5%
Animals transferred	17,245	16,197	29,346	–41.2%
Performance Programs				
Herds enrolled	1,165	1,023	687	69.6%
Cows enrolled	169,913	112,840	66,691	154.8%
Production *(AJCA lactations, 305-day, 2x, ME)*				
Protein, true *(*reported as total protein)*	727	640	590*	30.5%
Milk	19,927	18,042	16,029	24.3%
Fat	960	822	736	30.4%
Equity Investment	$ 873,301	$ 450,362	$ 220,505	296.0%
Jersey Marketing Service				
Gross for private treaty sales	$3,103,209	$ 2,549,175	$ 2,372,572	30.8%
Gross for public sales	$4,849,206	$6,109,705	$3,462,041	40.1%
Combined Net Assets	$3,622,202	$2,053,024	$ 1,783,553	103.1%

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