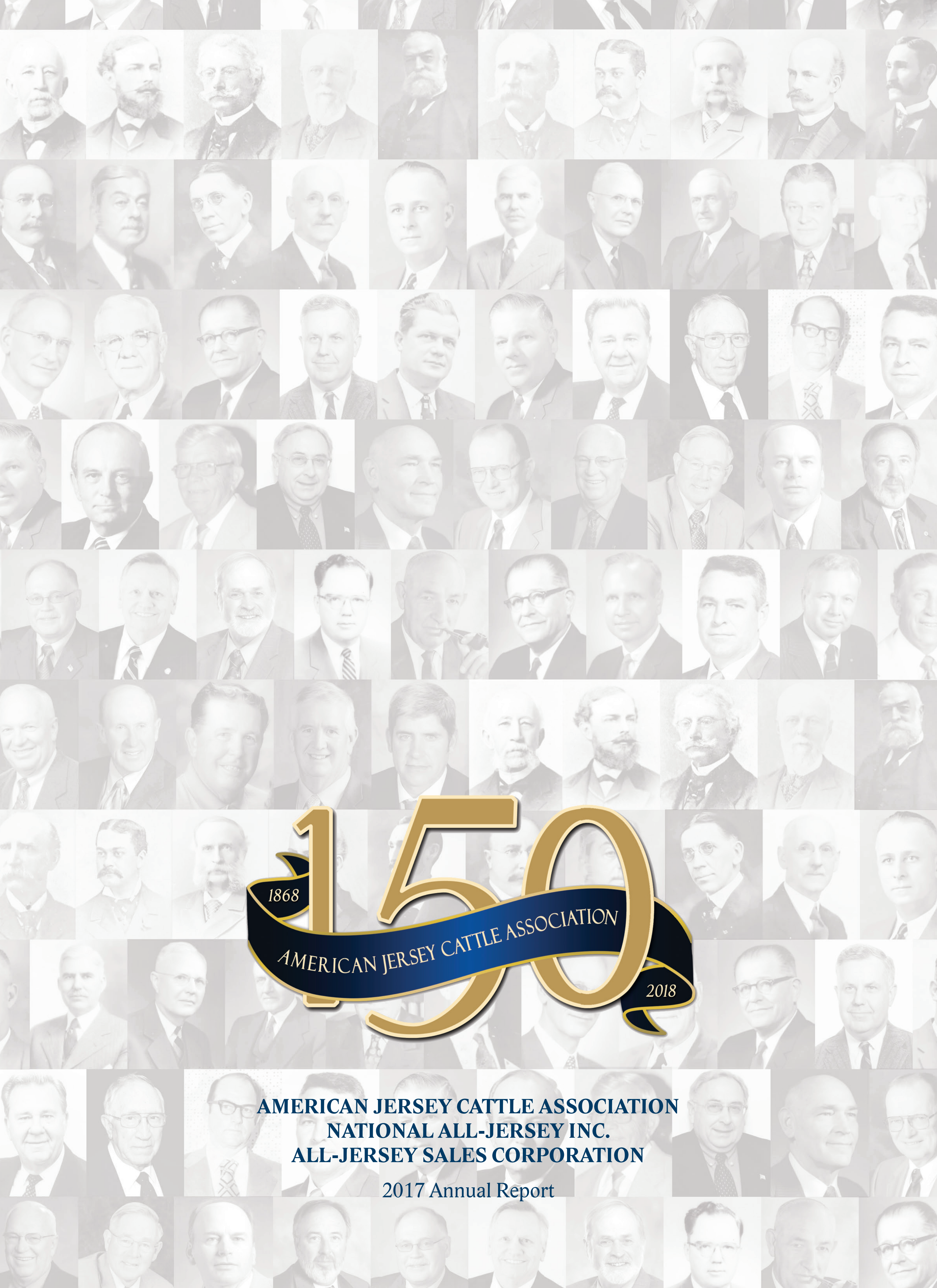



# AMERICAN JERSEY CATTLE ASSOCIATION
# NATIONAL ALL-JERSEY INC.
# ALL-JERSEY SALES CORPORATION

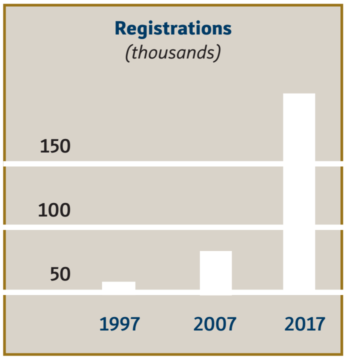
2017 Annual Report

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

Report to the Membership

# In 2017, we lived history and prepared for the future.

On behalf of the Boards of Directors of the American Jersey Cattle Association and National All-Jersey Inc., it is my privilege to present the Annual Report for 2017.




**Registration history was made every day starting July 26.**

The American Jersey Cattle Club was organized in 1868. Few organizations survive for half a century, still fewer for a century. The year 1868 being the first year of its history, the year 2017 is its 150th.

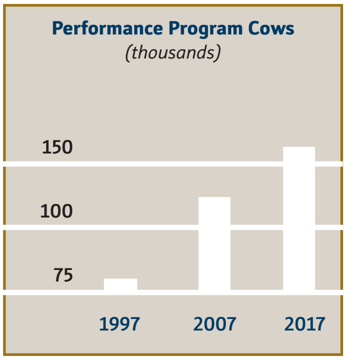
At the end of the first year for the Club, 400 cattle had been registered and there were 74 members. By 1917, the Jubilee Year, the yearly registration count had grown to 44,887, 93 volumes of the Herd Register had been published listing 543,500 animals, and there were 726 members.

At the Centennial Year, registrations of 53,014 were reported for 1967, bringing the total recorded in 100 years to 3,363,425. There were 2,192 active members.

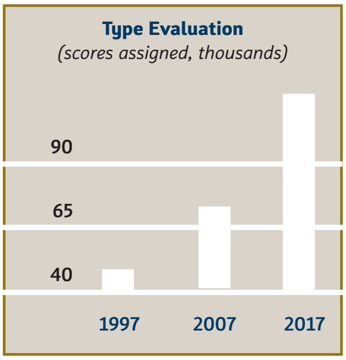
Going into the Sesquicentennial Year, the American Jersey Cattle Association was coming off five consecutive years over 100,000 registrations, having established an all-time record of 122,701 in 2015. It was surpassed on July 26, 2017, and history was made every day for the next 158 days.

The AJCA recorded 184,957 animals for 5,051 different owners in 2017. The total recorded by this organization in 150 years, as of December 31, 2017, was 6,598,164.

No record could be broken that is of greater significance to this organization than that for registrations. Registrations are the single most important measure of the current status and future prospects of the breed, as well as the association's success in meeting the needs of Jersey owners.




A milestone achievement like this was not luck, but the work of members, the Presidents and Boards of Directors, and the staff of the American Jersey Cattle Association and National All-Jersey Inc. across these many years—and the Jersey cow. No dairy cow has been proven again, and again, to be more capable of bridging economic cycles than the Jersey. She positions her owners to weather down markets and to prosper when they are up. That fact with all its underlying reasons—the inherent efficiencies, productive and reproductive, of the Jersey, and her longevity—is more widely understood and better appreciated across the U.S. dairy industry than at any previous time in history.




**Small Cow + Big Production = High Efficiency**

New history was also made for U.S. Jersey production. The official lactation average of 20,150 lbs. milk, 985 lbs. fat and 743 lbs. protein was calculated from 99,161 completed lactations of cows identified at Generation Count 4 and higher, standardized to 305 days, 2x, mature equivalent production. On a Cheddar cheese equivalent basis, average yield per cow was 2,529 pounds. All are new category records.

Actual 305-day yield per cow for 2017 averaged 17,666 lbs. milk, 867 lbs. fat (4.9%), and 650 lbs. protein (3.7%). Cheese yield was 2,216 lbs., more than twice the Jersey cow's average body weight.

**Domestic and international demand for U.S. Jersey semen set new records, accelerating the potential for Jersey breed expansion.**

In 2017, members of the National Association of Animal Breeders (NAAB) handled 5.1

million units of Jersey semen, an all-time high. Domestic sales returned to the upward trajectory characteristic in 18 of the past 20 years. The previous records for domestic and export unit sales as well as domestic market share were broken.

Total Jersey semen sales in the U.S. increased by 16.6% to 3,436,296 units. Another 1,401,820 doses were exported, a 40.1% gain over 2016 sales. Combined domestic and export sales were 22.5% greater than 2016 sales of 3,950,005 units. Custom semen collection totaled 268,298 units, more than double the previous year's activity.

For the decade, 2008 through the end of 2017, combined Jersey semen sales have increased by 2,016,217 units, or 71%. Jersey's market shares are now 14.6% of domestic sales—the highest ever reported by NAAB and up 1.6% from 2016—and 6.4% of export sales (up 1.1%).

**2018 Objectives of National All-Jersey Inc.**

- Continue to work with industry partners to promote and implement multiple component pricing in Federal Milk Marketing Orders in the southeast.
- Be engaged in proposals and discussions leading up to the 2018 Farm Bill.
- Continue to utilize and analyze the FARM-Environmental Stewardship program to demonstrate the sustainability advantage of Jerseys.
- Recruit research opportunities and promote research that demonstrates the value of high-solids milk and the efficiency and sustainability of Jerseys.
- Continue to advance A1/A2 beta-casein research.
- Develop economic analyses that promote increased use of Jersey genetics.
- Produce webinars focused on the differences in feeding Jerseys at four different stages of their development and production.
- All-Jersey® and Queen of Quality® programs: (a) enroll new producers, (b) expand services and support, (c) develop and promote new products using Jersey milk.
- Organize and complete forums for producers interested in on-farm processing.
- Look for and advance market arrangements, voluntary and regulated, that obtain or improve Multiple Component Pricing (MCP) for producers not currently receiving MCP or receiving sub-standard MCP.
- Continue work to raise the national minimum nonfat solids standards for fluid milk to meet existing California levels.

### Use of AJCA performance evaluation services continued at high levels.

At December 31, 162,224 cows were enrolled in a performance evaluation program, the fourth-high total in history. REAP cow enrollment was sustained with 157,571 cows in 949 herds. The average REAP herd size increased to 166 cows.

For a fifth consecutive year, more than 100,000 cows were scored under the linear type traits appraisal program. The 2017 tally of 115,563 ranks third in program history. All traits, and most importantly for udder depth, showed positive genetic trend.

### The strategy for breed growth is Jersey Performance Index™.

Updates to Jersey Performance Index™ authorized by the AJCA Board of Directors were implemented with the April 2017 official CDCB-AJCA genetic evaluations. Three new traits were added: CFP (combined fat-protein) milk, Body Weight Composite (a proxy for feed efficiency), and Livability, with weights revised for previously included traits. This was followed in December with an update to the Body Weight Composite based on Jersey data.

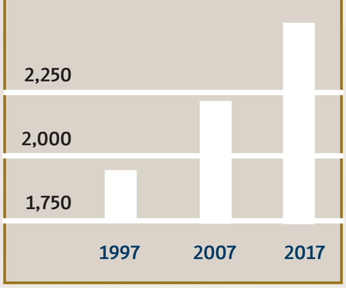
These revisions were as bold and forward-looking as any ever made to JPI™. They implemented findings from the latest research on feed efficiency plus the key findings from the 2012 Capper & Cady study, that Jersey sustainability requires increasing milk yield, maintaining—or better yet improving—component levels, and maintaining characteristic body size. The traits and weights in $JPI_{2017}$ are PTA protein, 30%; PTA fat, 15%; CFP Milk, 8%; Functional Trait Index *(incorporating Jersey Udder Index™, Body Weight Composite, and mobility)*, 20%; Productive Life, 6%; Livability, 4%; Somatic Cell Score, 6%; Daughter Pregnancy Rate, 7%; and Cow Conception Rate and Heifer Conception Rate, 2% each.

Jersey Performance $Index_{2017}$ is a formula for moving the breed forward, for increasing production and improving milkfat and protein levels with greater milk yield, moderating body weight for greater feed efficiency, and at the same time selecting for longer herd life, greater fertility, and better udder health.

### National All-Jersey Inc. widens its scope, the goal still being Equity for all.

Originally and still, NAJ is the only organization dedicated to representing the milk marketing concerns of owners of a single dairy breed. The ability to adapt has been

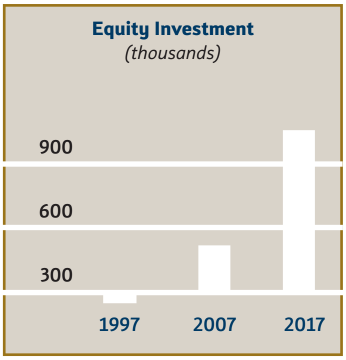
**Cheese Yield Production**
*(AJCA 305 day-2x-m.e, pounds/cow)*




**On The Cover**

The 50 men elected as President of the American Jersey Cattle Association and/or National All-Jersey Inc. are pictured in order of service, AJCA first followed by NAJ, from Samuel J. Sharpless *(upper left)* to David Endres *(sixth row, middle left)*. The Honor Rolls of Leadership begin on page 5 of this Annual Report.

its hallmark for 60 years. From the premium brand All-Jersey® milk, it branched out in 1961 to create a wholly owned subsidiary, All-Jersey Sales Corporation, that in 1970 formed Jersey Marketing Service to deliver private treaty services to All-Jersey® producers needing quality cattle. JMS soon took on management of the National Heifer Sale and The All American Jersey Sale, then diversified into public auction sales. In 1976, NAJ launched Project Equity to develop voluntary markets using end-product pricing and to implement multiple component pricing (MCP) in the Federal Order pricing system. That work goes on even as NAJ continues to broaden its scope of activities as described in the objectives for 2018.




Direct financial support for Equity in 2017 was $920,079 from 1,022 members. The Jersey breed will forever be indebted to the Equity investors who, from 1976 through the end of 2017, have invested $14,765,972. What that investment has returned in added value for Jersey milk, Jersey cattle, and Jersey genetics is beyond calculation.

**2017 was a Top 10 year for Jersey Marketing Service.**

2017 was the sixth-best year in the 48-year history of Jersey Marketing Service. Total sales management was $9,377,575. Live animals sold at private treaty averaged $1,909.56, those crossing the auction block, $1,675.54—for a general average of $1,776.82 on 5,259 lots. The 65th All American Jersey Sale was the second-high auction sale of 2017, averaging $7,805.08 for 59 lots. JMS also managed the second-high grossing dispersal in U.S. history, the two-day sale of Norse Star Jerseys, Westby, Wis., which had receipts of $1,593,515.

**The Jersey organizations are financially sound.**

The American Jersey Cattle Association and National All-Jersey Inc. are in a strong financial position. Combined net income from operations was $277,455 for the year ended December 31, with total (combined) Net Assets of $4,287,221.

**The one changeless face of this organization is its purpose.**

This purpose is a dedication to the improvement of the Jersey breed in America and to the welfare of those who breed and own Jerseys. It is most fitting as we celebrate the sesquicentennial of the American Jersey Cattle Association to express appreciation to the members for their constructive efforts to improve and expand the Jersey breed in America during the period 1868 to 2018. The fact this milestone has been reached is indicative that the majority of collective decisions were in the right direction.

During these 150 years, 379 members living in 46 states and, in the beginning, Canada have served on the Board of Directors and 42 men elected to the post of President. Across 60 years, 105 individuals have served on the Board of National All-Jersey Inc., 12 of them as President. Their dedication and guidance will inspire the leaders that will be needed to direct the breed during the next 50, 100 and 150 years.

**"An advantage over a competitor is a rare thing."**

At the first Annual Meeting of National All-Jersey Inc., President Perry Keesee stated boldly:

*"In business an advantage over a competitor is a rare thing. Advantages are generally short-lived, but our advantages may live on and on because Jerseys give milk plants an advantage that can only be met with more Jerseys."*

What was true in 1959 is true today, and will be tomorrow. Be confident that the markets for Jersey milk, Jersey genetics, and Jersey cattle will be sustainable. It will continue to pay you to register, test, score, and promote your Jerseys.

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
Larry Wolfe

*Jersey Journal*
Kimberly A. Billman

Research and Genetic Development
Cari W. Wolfe

Jersey Marketing Service
Greg Lavan

# AMERICAN JERSEY CATTLE ASSOCIATION

## Honor Roll of Leadership, 1868–2018

### PRESIDENTS

| | | |
|---|---|---|
| Samuel J. Sharpless | Pennsylvania | 1868–1874 |
| Thomas J. Hand | New York | 1874–1876 |
| J. Milton Mackie | Massachusetts | 1876–1879 |
| Richard Goodman | Massachusetts | 1879–1881 |
| John D. Wing | New York | 1881–1883 |
| John I. Holly | New Jersey | 1883–1885 |
| Frederic Bronson | Connecticut | 1885–1891 |
| George W. Farlee | New Jersey | 1891–1892 |
| Rufus A. Sibley | Massachusetts | 1892–1894 |
| Elmer A. Darling | Vermont | 1894–1915 |
| M. D. Munn | Minnesota | 1915–1926 |
| A. Victor Barnes | Connecticut | 1926–1928 |
| Samuel F. Crabbe | North Dakota | 1928–1931 |
| George Wing Sisson Jr. | New York | 1931–1934 |
| Jack Shelton | Texas | 1934–1937 |
| Perry B. Gaines | Kentucky | 1937–1940 |
| Ira G. Payne | New York | 1940–1943 |
| Junius G. Adams | North Carolina | 1943–1946 |
| Herman F. Heep | Texas | 1946–1948 |
| Elbert S. Brigham | Vermont | 1948–1951 |
| Frank B. Astroth | Minnesota | 1951–1954 |
| D. T. Simons | Texas | 1954–1955 |
| Charles S. Kelly | Wisconsin | 1955–1959 |
| E. Lea Marsh Jr. | Connecticut | 1959–1961 |
| Clyde L. Rougeou | Louisiana | 1961–1964 |
| Stanley N. Chittenden | New York | 1964–1968 |
| C. Scott Mayfield | Tennessee | 1968–1970 |
| G. Joe Lyon | Iowa | 1970–1973 |
| Donald D. Davis | Texas | 1973–1975 |
| Amzi G. Rankin, Jr. | Alabama | 1975–1978 |
| Stanley N. Chittenden | New York | 1978–1980 |
| W. Charles McGinnis | South Carolina | 1980–1984 |
| C. L. Collins Jr. | Alabama | 1984–1986 |
| David W. Spahr | Ohio | 1986–1989 |
| Harold B. Wright | Vermont | 1989–1992 |
| Ray R. Schooley | Missouri | 1992–1994 |
| Richard H. Clauss | California | 1994–1997 |
| Paul C. Chittenden | New York | 1997–2001 |
| James S. Huffard III | Virginia | 2001–2004 |
| Donald S. Sherman | California | 2004–2007 |
| David R. Chamberlain | New York | 2007–2011 |
| Robert Bignami | California | 2011–2012 |
| Chris Sorenson | Wisconsin | 2012–2018 |

### DIRECTORS

**Alabama**
J. C. Beene
T. G. Bush
C. L. Collins Jr.
C. L. Collins III
Amzi G. Rankin, Jr.
J. Patrick Rankin
Lavone Smith

**Arizona**
David W. Hulet
Kelvin D. Moss

**Arkansas**
Joseph J. Elcan
James T. Henderson
M. Y. Henderson
William H. Williams

**California**
John W. Coppini
John Giacomini
E. E. Greenough
Guy H. Miller
Arthur B. Purvine
James C. Quist
C. A. Russell
Donald S. Sherman
Duane Wickstrom
Scott Wickstrom

**Canada**
D. O. Bull
Valancey E. Fuller

**Colorado**
Charles E. Hill
Carl S. Johnson

**Connecticut**
Joseph W. Alsop, Jr.
A. Victor Barnes
C. M. Beach
Frederic Bronson
John S. Ellsworth
E. Stevens Henry
H. A. Huntington
E. Lea Marsh Jr.
Lyman A. Mills
S. W. Robbins *

**Florida**
Joseph Buckler
M. A. Milam
J. K. Stuart

**Georgia**
H. D. Allen Jr.
W. H. Cabaniss
J. B. Hardman
P. W. Harvey
Glenn P. Kingsley
J. Pat Ott
Robert W. Park

**Idaho**
H. G. Myers

**Illinois**
A. O. Auten
Karen Bohnert
John Boyd
W. A. Brewerton
D. I. Dean
J. K. Dering
Charles S. Dole
Loraine W. Funk
Chester J. McCord
J. D. Madding
Roger Marcoot
Josiah Tilden

**Indiana**
Alpha Gilmore
S. H. Godman
Max Gordon
W. Phil Gordon
Robert C. Graham
Mortimer Levering
Max Lowe
Michael Riggs
W. E. Weaver

**Iowa**
W. J. Campbell
Don Egli
Ivan N. Gates
Eric Lyon
G. Joe Lyon
Don Metzger
J. J. Richardson
Hugh G. Van Pelt

**Kansas**
James E. Berry
William Brown
T. F. Fansher
Judith A. Lewis
Jerry Spielman
John Weir Jr.
D. L. Wheelock

**Kentucky**
James Chaney
Edwin C. Gamble
P. B. Gaines
J. Henry Gest
George V. Green
George M. Harris
Thomas O. Harris
Mrs. S. T. Henning
John A. Lee
Paul McCarthy
John A. Middleton
Joey A. Pendleton
Lewis Porter
M. A. Scovell
R. C. Tway
Phillip B. Weissinger

**Louisiana**
John L. East
A. H. Henderson
Clyde L. Rougeou
C. H. Staples
G. C. Taylor

**Maine**
Libby Bleakney
David E. Moulton
John Palmer

**Maryland**
Edward Austen
A. B. Gardiner
Hoagland Gates
John Glenn *
J. Stricker Jenkins
J. Howard McHenry
Charles E. Rieman
Joseph H. Rieman
John Stiles
James W. Tyson
Frederick Von Kapff

**Massachusetts**
Edward Burnett
L. F. Herrick
C. I. Hood
J. Milton Mackie

*continued on page 6*

## DIRECTORS

*continued from page 5*

J. J. Malnati
Thomas Motley *
Mark W. Potter
John R. Sibley
Rufus A. Sibley
E. M. Teall
H. G. Wilde

**Michigan**
Dale Dean
W. J. G. Dean
A. H. Goss
T. F. Marston
H. F. Probert
Neal Sanford
Cyril Spike
R. K. Stout
James VanBuskirk

**Minnesota**
Frederick R. Angell
Frank B. Astroth
A. P. Foster
James J. Grathwol
M. D. Munn
Eugene Taylor
G. S. Taylor

**Mississippi**
Robert C. Albritton
Mat Mahorner
W. B. Montgomery
Rex F. Reed
James Rowzee
George A. Wilson

**Missouri**
F. J. Bannister
A. R. Camfield
C. T. Graves
J. W. Head
S. R. Head
John E. Jones
Edward F. Kirchdoerfer
Dale Maples
Benny J. Rector
Ray R. Schooley
C. J. Tucker

**Montana**
W. P. Mills

**Nebraska**
Guy C. Barton

**Nevada**
Newell J. Mills
Fred Weaver

**New Hampshire**
Ralph D. Booth Jr.
A. F. Peirce
Sheldon S. Sawyer
Sheldon S. Sawyer, Jr.

**New Jersey**
George Batten
John I. Bishop
John Bishop VI
Davis Collamore
George W. Farlee
P. H. B. Frelinghuysen
Curtis Hobson
John I. Holly
John P. Hutchinson
Heulings Lippincott
Archer N. Martin
John Mayer
Maurice Pollack
Nathan Robins
W. R. Spann

**New Mexico**
Meldrum Gray

**New York**
F. W. Ayer
J. Lawrence Benson
Ray Chamberlain
Alan O. Chittenden
Paul C. Chittenden
Stanley N. Chittenden
P. J. Cogswell
Edward J. Cornish
George Cromwell
Robin Denniston-Keller
Dennis A. Egelston
Thomas J. Hand
C. I. Hudson
F. B. Keeney
W. R. Kenan
Walter W. Law
Charles F. Luchsinger
H. N. McKinney
H. S. Parke
Ira G. Payne
George E. Peer
William Ross Proctor
F. W. Sessions
George W. Sisson Jr.
W. R. Weed
John D. Wing

**North Carolina**
J. G. Adams
C. Grier Beam
Melvin G. Cording
Reuben R. Cowles
Corey Lutz
Cameron Morrison
John C. Wilk

**North Dakota**
Samuel F. Crabbe

**Ohio**
L. P. Bailey
Maurice L. Baird
James A. Billman
I. Robert Blackburn
Samuel A. Bok
Hugh W. Bonnell
J. P. Bradbury
Tom Dempsey
William P. Grammer
Frank W. Hart
Russel Hoar
La Mar King
Charles F. Michael
Harry S. Mykrantz
Jay Pfeiffer
Neal Schirm
Paul Schirm
David Spahr
Harold N. Stanfield
Arthur E. Stevens
W. W. Trout

**Oklahoma**
A. L. Churchill
R. Paul Harber
M. S. Hughes
David A. Jones
Oliver H. Kinzie
Ralph A. Patterson
Robert L. Peebly
E. A. Woods

**Oregon**
Floyd E. Bates
Dan K. Bansen
Jamie Bansen
Edward Cary
C. C. Dickson
Robert Howard
W. M. Ladd
W. C. Leth
Frank E. Lynn
C. N. McArthur
Bearl A. Seals
Thomas L. Seals
A.W. Sweet
Paula Wolf

**Pennsylvania**
J. S. Campbell, Jr.
Luke B. Carter
Helene Z. Dreisbach
Mark O. Gardner
Donald A. Koontz
Charles Miller
David R. Norman
A. Pardee, Jr.
Henry S. Redfield
Craig A. Rhein
Clyde S. Robison
R. F. Shannon
Charles L. Sharpless
Samuel J. Sharpless
Joseph C. Sibley
W. S. Taylor
L. H. Twaddell
James Young

**Rhode Island**
H. M. Howe
Andrew Robeson

**South Carolina**
W. Ward Crim
Richard A. Doran Jr.
J. J. Malnati
W. Charles McGinnis

**South Dakota**
Calvin Graber

**Tennessee**
Campbell Brown
W. R. Cooke
Herbert Farrell
R. E. Fort
L. B. Gardiner
Mattnew M. Gardner
W. Gettys
C. M. Gooch
W. A. Griswold
Curtis Hobson
J. L. Hutcheson Jr.
T. H. Malone
C. Scott Mayfield
Roy McDonald
Jesse M. Overton
Thornton Taylor
William S. Shields
Charles Steer
Samuel N. Warren
Henry Water
William J. Webster
D. Shelby Williams

**Texas**
Bobby Armstrong
John G. Boer
Donald D. Davis
J. Fred Davis
Ralph Frerichs
J. Riley Green
Joseph F. Green
Herman F. Heep
Henry P. Knolle
Karin Knolle
Brody Koon
Ed C. Lasater
M. Lothrop
D. B. Lyon
Felton Martin
W. L. Payton
A. F. Platter
W. A. Ponder
Evans Reese
J. W. Ridgway
Bruce Rigler
Grover Sellers
Jack Shelton
C. N. Shepardson
B. J. Shepherd
W. R. Spann
Robert Stryk
G. Frank Tooke

**Utah**
Edgar S. Smoot

**Vermont**
Frederick Billings
E. S. Brigham
George T. Chaffee
Harold W. Corkum
E. A. Darling
Charles D. Hazen
Charles D. Hazen Jr.
Robert Lord
Gilman S. Moulton
George Ricker
Wesley Snow
Harold J. Turner
H. W. Vail
Harold B. Wright

**Virginia**
Henry E. Alvord
Edward E. Barney
A. M. Bowman
T. T. Curtis
Carter Glass
Rowland F. Hill III
James S. Huffard III
Joseph A. Lineweaver
Harold W. Roller
Wyatt A. Williams

**Washington**
T. J. Bay
Peter Henning Jr.
Elmer D. Larson
H. M. Wivell
Betty Wolf

**Wisconsin**
George A. Barlass
Richard. A. Brackett
Charles B. Finn
Michael Fremstad
Charles S. Kelly
Walter Owens
Wilfred Owens
A. F. Rhenick
Norlan Rowbotham
Chris Sorenson
D. L. Strandberg
H. C. Taylor

** Elected with President Samuel J. Sharpless, Treasurer Thomas J. Hand, and Secretary George E. Waring Jr. by the 43 original members to serve as first governing body of the Club*

## NATIONAL ALL-JERSEY INC.

Honor Roll of Leadership, 1957–2018

### PRESIDENTS

| | | |
|---|---|---|
| Perry T. Keesee | Oklahoma | 1957–1959 |
| H. I. Sawyer | California | 1959–1961 |
| Charles S. Kelly | Wisconsin | 1961–1962 |
| Wyatt A. Williams | Virginia | 1962–1967 |
| Amzi G. Rankin, Jr. | Alabama | 1967–1971 |
| Charles A. Hunter | North Carolina | 1971–1976 |
| G. Joe Lyon | Iowa | 1976–1984 |
| Richard H. Clauss | California | 1984–1994 |
| Ted W. Luther | North Carolina | 1994–1997 |
| William G. Mason | Idaho | 1997–2003 |
| James Ahlem | California | 2003–2009 |
| David C. Endres | Wisconsin | 2009–2018 |

### DIRECTORS

**Alabama**
Clint L. Collins, Jr.
Clint L. Collins III
Amzi G. Rankin, Jr.
J. Patrick Rankin

**Arizona**
Gary Allen
Kelvin Moss

**California**
James Ahlem
W. C. Beaumont *
John Paul Bianchi
Robert Bignami
Richard H. Clauss
John Giacomini
Rogelio Herrera
H. I. Sawyer *
Donald S. Sherman
Michael Wickstrom

**Colorado**
Carl S. Johnson

**Connecticut**
E. Lea Marsh, Jr.

**Florida**
J. K. Stuart *

**Idaho**
William G. Mason
H. G. Myers

**Illinois**
Loraine Funk
Roger E. Marcoot

**Indiana**
Max Gordon
Richard A. Riggs

**Iowa**
Eric Lyon
G. Joe Lyon
Donald Metzger

**Kansas**
Jerry Spielman

**Kentucky**
Edwin C. Gamble
James Garrison

**Louisiana**
R. D. Hinton
Clyde L. Rougeou

**Maine**
John Palmer

**Massachusetts**
John Kokoski
Kenneth M. Stevens

**Michigan**
Paul D. Piepkow
Neal Sanford
R. K. Stout

**Minnesota**
Eugene Taylor

**Mississippi**
J. A. Briscoe
James S. Rowzee

**Missouri**
Paul Harber
Edward F. Kirchdoerfer
Ray R. Schooley

**Nebraska**
Jason L. Cast

**Nevada**
Newell J. Mills
Fred Weaver

**New York**
David R. Chamberlain
Ray Chamberlain
Paul C. Chittenden
Stanley N. Chittenden
Charles F. Luchsinger

**North Carolina**
Melvin Cording *
Charles A. Hunter
Ted W. Luther

**Ohio**
William P. Grammer
Dale W. Kauffman
David W. Spahr

**Oklahoma**
R. Paul Harber
Perry T. Keesee *

**Oregon**
Dan K. Bansen
Marlin Fox *
Robert Howard
Norman H. Martin
A. W. Sweet
Alvin Zeek

**Pennsylvania**
John Bishop VI
Helene Z. Dreisbach
David R. Norman

**South Carolina**
Judson P. Brogdon
Richard A. Doran, Jr.
Herbert D. Lutz, Sr.
J. J. Malnati
W. Charles McGinnis
Harvey S. Peeler, Jr.
Robert L. Steer, Jr.

**South Dakota**
Calvin Graber

**Tennessee**
Curtis Hobson
C. Scott Mayfield
Veronica L. Steer

**Texas**
Donald D. Davis
Nico deBoer
Ralph Frerichs
Henry P. Knolle *
H. Pearson Knolle
Robert Stryk

**Vermont**
Alan N. Mann *
Harold B. Wright

**Virginia**
Rowland Hill III
James S. Huffard III
Wyatt Williams

**Washington**
T. J. Bay
William R. DeGroot
Svend Larsen
Charles A. Niemi
Murray Weiks

**Wisconsin**
Marion Barlass
William Barlass
David C. Endres
Michael Fremstad
Charles S. Kelly *
Walter Owens
Chris Sorenson
Bruce Vander Veen

** First Board of Directors, appointed by AJCC Board of Directors after incorporation December 1957*

## AMERICAN JERSEY CATTLE ASSOCIATION

Treasurer's Report • Independent Auditors' Report

*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 $277,455 for the year ended December 31, 2017.

**American Jersey Cattle Association**

| | |
|---|---|
| Revenues | $4,280,152 |
| Expenditures | $ 4,107,399 |
| Net Income from Operations (Before All American and Other Income and Expense) | $ 172,753 |

**National All-Jersey Inc. and Subsidiary**

| | |
|---|---|
| Revenues | $ 1,378,234 |
| Expenditures | $ 1,273,532 |
| Net Income from Operations (Before Other Income and Expense) | $ 104,702 |

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

| | |
|---|---|
| Identification Services | 46% |
| Performance Services | 15% |
| Equity | 15% |
| *Jersey Journal* | 7% |
| Cattle Marketing Services | 6% |
| Other | 11% |

The organizations' marketable securities are reported at market value of $2,276,657. Due to the increase in market values compared to 2016, an unrealized gain was recorded at December 31, 2017 to reflect the variance in cost versus fair market value of the companies' investments.

The companies reported net assets at December 31, 2017 of:

| | |
|---|---|
| American Jersey Cattle Association | $2,752,684 |
| National All-Jersey Inc. and Subsidiary | $ 1,534,537 |
| Total (combined) Net Assets | $4,287,221 |

The AJCC Research Foundation reported net assets of $2,367,072 at year-end December 31, 2017. The Research Foundation supported three (3) projects totaling $35,080. The scholarship funds administered by the AJCA awarded fourteen (14) scholarships totaling $27,250. Total combined net assets in the scholarship funds as of December 31, 2017 were $576,733. Twenty-eight (28) outstanding youth attended the fifth Jersey Youth Academy in 2017. Net assets held in the Jersey Youth Academy Fund at December 31, 2017 were $514,963.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accounting firm, Tidwell Group, LLC. These statements clearly state the financial position of the companies at December 31, 2017 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 statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matter*

The financial statements of American Jersey Cattle Association as of December 31, 2016, were audited by other auditors whose report dated April 5, 2017, expressed an unmodified opinion on those statements.

Tidwell Group, LLC

Columbus, Ohio
April 4, 2018

# AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

## STATEMENTS OF FINANCIAL POSITION

*December 31, 2017 and 2016*

| ASSETS | 2017 | 2016 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | **$ 492,201** | $ 556,546 |
| Investments, at fair value | **309,072** | 277,644 |
| Accounts receivable, net | **593,078** | 396,593 |
| Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation | **605,677** | 706,833 |
| Supplies and inventories | **21,850** | 25,440 |
| Prepaid expenses and other assets | **107,230** | 85,598 |
| **Total current assets** | **2,129,108** | 2,048,654 |
| **PROPERTY AND EQUIPMENT** | | |
| Land | **68,000** | 68,000 |
| Building | **494,448** | 494,448 |
| Operating equipment | **1,736,978** | 1,709,014 |
| Software development | **137,539** | 135,953 |
| | **2,436,965** | 2,407,415 |
| Less accumulated depreciation and amortization | **(2,153,970)** | (2,072,039) |
| **Total property and equipment, net** | **282,995** | 335,376 |
| **OTHER ASSETS** | | |
| Investments, at fair value | **1,347,677** | 1,210,839 |
| **Total other assets** | **1,347,677** | 1,210,839 |
| | **$ 3,759,780** | $ 3,594,869 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Current portion of capital lease obligations | **$ –** | $ 1,056 |
| Current portion of unexpired subscriptions and directory listings | **29,082** | 16,113 |
| Current portion of note payable | **77,473** | 74,582 |
| Accounts payable | **221,885** | 225,418 |
| Accrued expenses | **81,342** | 97,132 |
| Awards, The All American Show & Sale | **63,760** | 71,972 |
| Awards, National Jersey Jug Futurity | **10,910** | 11,443 |
| Unearned fees and remittances | **371,218** | 411,168 |
| **Total current liabilities** | **855,670** | 908,884 |
| **NONCURRENT LIABILITIES** | | |
| Unexpired subscriptions and directory listings, net of current portion | **29,740** | 33,234 |
| Note payable, net of current portion | **121,686** | 199,018 |
| | **151,426** | 232,252 |
| **Total liabilities** | **1,007,096** | 1,141,136 |
| **NET ASSETS** | | |
| Unrestricted: | | |
| Designated | **1,629,588** | 1,396,760 |
| Undesignated | **1,123,096** | 1,056,973 |
| **Total net assets** | **2,752,684** | 2,453,733 |
| | **$ 3,759,780** | $ 3,594,869 |

*See Notes to the Financial Statements.*

## STATEMENTS OF ACTIVITIES

*Years Ended December 31, 2017 and 2016*

| | 2017 | 2016 |
|---|---|---|
| **REVENUES** | | |
| Fees | **$ 3,762,103** | $ 3,227,692 |
| *Jersey Journal* advertising and subscriptions | **421,030** | 442,863 |
| Interest and dividend income | **57,674** | 36,028 |
| Other | **39,345** | 34,511 |
| **Total revenues** | **4,280,152** | 3,741,094 |
| **COST OF OPERATIONS** | | |
| Salaries, service, and administrative | **3,560,158** | 3,136,084 |
| *Jersey Journal* publishing | **418,346** | 428,338 |
| Depreciation and amortization | **119,637** | 138,095 |
| Interest expense | **9,258** | 12,110 |
| **Total cost of operations** | **4,107,399** | 3,714,627 |
| **INCREASE IN NET ASSETS FROM OPERATIONS** | **172,753** | 26,467 |
| **OTHER INCOME (EXPENSE)** | | |
| Net gain (loss) from The All American Show and Sale | **885** | (18,288) |
| Net realized and unrealized gain on investments | **18,076** | 8,539 |
| **Total other income (expense)** | **18,961** | (9,749) |
| Board authorized appropriation from Undesignated to Designated | **(100,000)** | (25,000) |
| **CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS** | **91,714** | (8,282) |
| **EXPENDITURES FROM DESIGNATED NET ASSETS** | | |
| Research and development | **(4,010)** | (5,898) |
| Net realized and unrealized gain on investments | **111,247** | 59,418 |
| Board authorized appropriation from Undesignated to Designated | **100,000** | 25,000 |
| **Total expenditures from designated net assets** | **207,237** | 78,520 |
| **CHANGE IN NET ASSETS** | **298,951** | 70,238 |
| **NET ASSETS,** beginning | **2,453,733** | 2,383,495 |
| **NET ASSETS,** ending | **$ 2,752,684** | $ 2,453,733 |

*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 prepared in accordance with accounting principles generally accepted in the United States of America.

**Basis of presentation.** The financial statement presentation follows 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. Included in unrestricted net assets are Board of Directors' designated net assets for a building fund and research and development which totaled $1,347,677 and $281,912 for 2017 and $1,210,839 and $185,921 for 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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 statement 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 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 $70,000 and $64,000 as of December 31, 2017 and 2016,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 $16,349 and $9,343 was recognized for the years ended December 31, 2017 and 2016, 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 impairment losses recognized in 2017 or 2016.

**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 2017 and 2016 these activities include primarily magazine advertising. There was no income tax expense for 2017 and 2016 relating to *Jersey Journal* publishing.

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, 2017 and 2016, 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.

AJCA also invests funds in a professionally managed portfolio that contains various securities detailed in Note 8. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

**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 non-cancellable 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 future 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 $267,266 and $266,684 for 2017 and 2016, respectively, from the above-mentioned affiliated companies for these jointly incurred costs.

AJCA has a $175,000 line of credit due which is collateralized by investments held by AJCA and NAJ. No funds were drawn on this line of credit as of December 31, 2017 and 2016.

**Unearned fees and remittances.** Unearned fees and remittances represent amounts received in advance for registrations, transfers and total performance evaluation.

**Supplies and inventories.** Supplies and inventories consist of office supplies and promotional items available for sale which are valued at the lower of cost or net realizable value.

Prior to 2017, such inventory reductions were based on market (replacement costs), if lower than cost. In accordance with a recent FASB standard, in 2017 the Company began recording any reductions based on net realizable value (generally, estimated selling price less reasonably predictable costs of completion, disposal and transportation).

This change was made prospectively as of January 1, 2017 and had no material effect on net income.

**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 $7,160 and $8,124 for the years ended December 31, 2017 and 2016, 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 through the date the financial statements were available to be issued for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements and the date elated disclosures consider events through April 4, 2018, 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:

| | 2017 | 2016 |
|---|---|---|
| Herd Services | $ 1,710,647 | $1,246,890 |
| Information Technology | 374,847 | 429,031 |
| Performance | 667,785 | 669,811 |
| *Jersey Journal* | 418,852 | 429,940 |
| Development | 121,944 | 126,809 |
| Field | 573,292 | 569,305 |
| Accounting, administration, and general | 240,032 | 242,841 |
| Total cost of operations | $ 4,107,399 | $ 3,714,627 |

**Note 3. Lines of Credit**

At December 31, 2017 and 2016, the Association has available a $100,000 line of credit due on demand with interest payable monthly at prime (4.25 % and 3.75% at December 31, 2017 and 2016, respectively). The line is collateralized by investments held by AJCA. No funds were drawn on the line as of 2017 or 2016.

At December 31, 2017 and 2016, 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 1). No funds were drawn on the line as of December 31, 2017 or 2016.

**Note 4. Note Payable**

In June 2015, the Association entered into a note payable agreement with a bank for $380,000 bearing interest at 3.18%. 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 four years are approximately as follows:

| | | |
|---|---|---|
| Years Ending: | 2018 | $ 77,473 |
| | 2019 | 80,477 |
| | 2020 | 41,209 |
| | | $ 199,159 |

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 5. Lease Commitments**

*Capital Lease Obligation.* At December 31, the underlying equipment was reflected in the accompanying statements of financial position as follows:

| | 2017 | 2016 |
|---|---|---|
| Operating equipment | $ 10,558 | $ 10,558 |
| Less accumulated amortization | (10,558) | (9,326) |
| | $ – | $ 1,232 |

*Operating Lease Obligations.* In 2013, the Association entered into a lease for equipment under an operating lease. The lease expires in 2018. Lease expense for the years ended December 31, 2017 and 2016 totaled $27,703. Future minimum lease payments for 2018 approximate $20,778.

**Note 6. Employee Benefit Plan**

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 2017 and 2016 amounted to $29,290 and $27,275, respectively.

**Note 7. Designation of Net Assets**

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

| | 2017 | 2016 |
|---|---|---|
| Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)* | $ 1,347,677 | $ 1,210,839 |
| Research and development - increased annually on a discretionary basis | 281,911 | 185,921 |
| | $ 1,629,588 | $ 1,396,760 |

In 2017 and 2016, there were expenditures of $4,010 and $5,898, respectively, from the research and development designated net assets. In 2017 and 2016, the Board of Directors authorized an appropriation from undesignated to research and development of $100,000 and $25,000, respectively.

**Note 8. Investments**

Investments consist of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Money market | $ 37,678 | $ 34,051 |
| Mutual funds | 1,619,071 | 1,454,432 |
| | $ 1,656,749 | $ 1,488,483 |

Total investment income consists of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Interest and dividend income | $ 61,348 | $ 38,324 |
| Net realized and unrealized gain on investments | 137,563 | 72,955 |
| | $ 198,911 | $ 111,279 |

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

| | 2017 | 2016 |
|---|---|---|
| Interest and dividend income | $ 3,674 | $ 2,296 |
| Net realized and unrealized gain on investments | 8,240 | 4,998 |
| | $ 11,914 | $ 7,294 |

**Note 9. 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

*(continued to page 14)*

*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 statement of financial position, as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matter*

The consolidated financial statements of National All-Jersey Inc. and Subsidiary as of December 31, 2016, were audited by other auditors whose report dated April 5, 2017, expressed an unmodified opinion on those statements.

Tidwell Group, LLC
Columbus, Ohio
April 4, 2018

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*December 31, 2017 and 2016*

| ASSETS | 2017 | 2016 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ **1,392,196** | $ 1,169,728 |
| Custodial cash | **203,990** | 419,960 |
| Investments, at fair value | **619,908** | 556,874 |
| Accounts receivable, net | **104,096** | 429,303 |
| Prepaid expenses | **—** | 3,818 |
| **Total current assets** | **2,320,190** | 2,579,683 |
| **PROPERTY AND EQUIPMENT** | | |
| Land | **12,000** | 12,000 |
| Building | **87,256** | 87,256 |
| Furniture and equipment | **18,936** | 18,936 |
| Vehicles | **124,091** | 124,091 |
| | **242,283** | 242,283 |
| Less accumulated depreciation and amortization | **(196,094)** | (173,431) |
| **Total property and equipment, net** | **46,189** | 68,852 |
| | **$ 2,366,379** | $ 2,648,535 |

| LIABILITIES AND NET ASSETS | 2017 | 2016 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ **5,911** | $ 5,552 |
| Advances due to American Jersey Cattle Association | **605,678** | 706,832 |
| Fees due consignors | **99,402** | 418,167 |
| Accrued expenses | **12,165** | 14,550 |
| Accrued payroll and related benefits | **21,826** | 29,771 |
| Advances and reserves for advertising | **31,828** | 31,828 |
| Deferred income | **55,032** | 61,430 |
| **Total current liabilities** | **831,842** | 1,268,130 |
| **NET ASSETS** | | |
| Unrestricted: | | |
| Designated | **392,643** | 294,648 |
| Undesignated | **1,141,894** | 1,085,757 |
| **Total net assets** | **1,534,537** | 1,380,405 |
| | **$ 2,366,379** | $ 2,648,535 |

*See Notes to the Consolidated Financial Statements.*

## CONSOLIDATED STATEMENTS OF ACTIVITIES

*Years Ended December 31, 2017 and 2016*

| | 2017 | 2016 |
|---|---|---|
| **REVENUES** | | |
| Equity project fees | **$ 920,079** | $ 898,207 |
| Commissions | **398,131** | 377,843 |
| Interest and dividend income | **22,975** | 14,377 |
| Other | **37,049** | 30,726 |
| **Total revenues** | **1,378,234** | 1,321,153 |
| **COST OF OPERATIONS** | | |
| Salaries, service, and administrative | **1,127,287** | 1,056,102 |
| Field services | **118,164** | 116,224 |
| Bad debt expense | **4,175** | 3,599 |
| Depreciation and amortization | **23,906** | 25,856 |
| **Total costs of operations** | **1,273,532** | 1,201,781 |
| **CHANGE IN NET ASSETS FROM OPERATIONS** | **104,702** | 119,372 |
| **OTHER INCOME** | | |
| Net realized and unrealized gain on investments | **51,435** | 27,150 |
| **Total other income (expense)** | **51,435** | 27,150 |
| Board authorized appropriation from Undesignated to Designated | **(100,000)** | (100,000) |
| **CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS** | **56,137** | 46,522 |
| **INCREASES (DECREASES) FROM DESIGNATED NET ASSETS** | | |
| Research and development | **(2,005)** | (4,824) |
| Board authorized appropriation from Undesignated to Designated | **100,000** | 100,000 |
| **Total increase from Designated net assets** | **97,995** | 95,176 |
| **CHANGE IN NET ASSETS** | **154,132** | 141,698 |
| **NET ASSETS, beginning** | **1,380,405** | 1,238,707 |
| **NET ASSETS, ending** | **$ 1,534,537** | **$1,380,405** |

*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 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 $392,643 and $294,648 for 2017 and 2016, respectively. In 2017 and 2016, the Board of Directors authorized an additional $100,000 for each year to 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, 2017 and 2016, 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, 2017 and 2016, 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 which represents fair value. Mutual funds are carried at fair value on the statement of financial position, with the change in fair value included in the statement of activities and changes in net assets.

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

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

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

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

**Accounts receivable.** JMS extends credit to buyers of cattle at public auction sales. JMS typically does not pay sellers of cattle until collection from buyers has occurred for dispersal auction sales, per the sales contract. JMS typically guarantees payment to consignors of public consignment auction sales based on the selling price of the consignment. Accounts receivable are reflected at their billed amount. Management estimated an allowance for doubtful accounts, which was $15,000 and $10,000 as of December 31, 2017 and 2016, respectively. Bad debt expense of $4,175 and $3,599 was recognized for 2017 and 2016, 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 2017 and 2016 include reimbursements of $282,392 and $266,884, respectively, paid to the Association for these jointly incurred costs.

**Valuation of long-lived assets.** The Company reviews long-lived 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 2017 and 2016.

**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, 2017 and 2016, management has determined that there are no material uncertain tax positions.

While no tax returns area currently being reviewed by the Internal Revenue Service, tax years since 2014 remain open.

**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.

The Company also invests in a professionally managed portfolio that contains various securities as detailed in Note 9. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

**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 $21,532 and $4,494 for the years ended December 31, 2017 and 2016, 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 4, 2018, 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:

| | 2017 | 2016 |
|---|---|---|
| National All-Jersey Equity program | $ 580,841 | $ 517,310 |
| Accounting, administration, general and field service | 291,855 | 272,947 |
| All-Jersey Sales (JMS) | 400,836 | 411,524 |
| Research and development | 2,005 | 4,824 |
| Total cost of operations | $ 1,275,537 | $1,206,605 |

**Note 3. Advances and Reserves for Advertising**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| 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. Designation of Net Assets**

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

| | 2017 | 2016 |
|---|---|---|
| Research and development: Increased annually on a discretionary basis, $100,000 for each year ended December 31, 2017 and 2016, respectively. In 2017 and 2016, there were expenditures of $2,005 and $4,824, respectively, from the research and development designated net assets. | $ 392,643 | $ 294,648 |

**Note 5. 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 | 2017 | 2016 |
|---|---|---|
| Provision for doubtful accounts | $ 2,600 | $ 1,700 |
| Net operating loss | 110,000 | 110,900 |
| Gross deferred tax assets | 112,600 | 112,600 |
| Less valuation allowance | (112,600) | (112,600) |
| Net deferred tax assets | $ – | $ – |

For the year ended December 31, 2017, AJSC incurred net operating income which reduced the future deductible net operating loss carry forward. No benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2017, the Company had approximately $661,000 of federal net operating loss carryforwards. The net operating loss carry forwards, if not utilized, will begin to expire in 2029.

**Note 6. Lines of Credit**

At December 31, 2017 and 2016, the Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime (4.25% and 3.75% at December 31, 2017 and 2016, respectively). The line is collateralized by investments held by NAJ and AJCA. NAJ is a guarantor on the line of credit. No funds were drawn on the line at December 31, 2017 and 2016.

**Note 7. Benefit Plan**

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 2017 and 2016 amounted to $7,466 and $6,201, respectively.

**Note 8. Investments**
Investments consisted of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Money market | $ 14,130 | $ 12,738 |
| Mutual funds | 605,778 | 544,136 |
| | $ 619,908 | $ 556,874 |

Investment income consists of the following:

| | 2017 | 2016 |
|---|---|---|
| Interest and dividend income | $ 22,975 | $ 14,377 |
| Net realized and unrealized gain on investments | 51,435 | 27,150 |
| | $ 74,410 | $ 41,527 |

**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, 2017, and 2016. 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, 2017**

| Asset Category | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity mutual funds: | | | | |
| U.S. large-cap core | $ 112,638 | $ 112,638 | $ – | $ – |
| U.S. large-cap value | 37,012 | 37,012 | – | – |
| U.S. large-cap growth | 70,870 | 70,870 | – | – |
| U.S. mid-cap | 18,696 | 18,696 | – | – |
| U.S. small-cap | 24,941 | 24,941 | – | – |
| International | 62,295 | 62,295 | – | – |
| Emerging Markets | 12,651 | 12,651 | – | – |
| Multi-Sector | 15,961 | 15,961 | – | – |
| Fixed income mutual funds: | | | | |
| Short-term | 106,551 | 106,551 | – | – |
| High-yield | 40,378 | 40,378 | – | – |
| Intermediate | 85,439 | 85,439 | – | – |
| Real estate securities fund | 18,346 | 18,346 | – | – |
| Total Assets | $ 605,778 | $ 605,778 | $ – | $ – |

**December 31, 2016**

| Asset Category | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity mutual funds: | | | | |
| U.S. large-cap core | $ 79,818 | $ 79,818 | $ – | $ – |
| U.S. large-cap value | 33,348 | 33,348 | – | – |
| U.S. large-cap growth | 65,671 | 65,671 | – | – |
| U.S. mid-cap | 44,205 | 44,205 | – | – |
| U.S. small-cap | 22,034 | 22,034 | – | – |
| International | 44,441 | 44,441 | – | – |
| Emerging Markets | 11,221 | 11,221 | – | – |
| Multi-sector | 13,721 | 13,721 | – | – |
| Fixed income mutual funds: | | | | |
| Short-term | 97,254 | 97,254 | – | – |
| High-yield | 36,813 | 36,813 | – | – |
| Intermediate | 78,397 | 78,397 | – | – |
| Real estate securities fund | 17,213 | 17,213 | | |
| Total Assets | $ 544,136 | $ 544,136 | $ – | $ – |

## AMERICAN JERSEY CATTLE ASSOCIATION

Notes to Financial Statements *(continued)*

Association's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2017 and 2016. 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, 2017**

| Asset Category | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity mutual funds: | | | | |
| U.S. large-cap core | $ 301,039 | $ 301,039 | $ – | $ – |
| U.S. large-cap value | 98,917 | 98,917 | – | – |
| U.S. large-cap growth | 189,433 | 189,433 | – | – |
| U.S. mid-cap | 49,968 | 49,968 | – | – |
| U.S. small-cap | 66,658 | 66,658 | – | – |
| International | 166,486 | 166,486 | – | – |
| Emerging Markets | 33,810 | 33,810 | – | – |
| Multi-sector | 42,714 | 42,714 | – | – |
| Fixed income mutual funds: | | | | |
| Short-term | 284,761 | 284,761 | – | – |
| High-yield | 107,913 | 107,913 | – | – |
| Intermediate | 228,340 | 228,340 | – | – |
| Real estate securities fund | 49,032 | 49,032 | | |
| Total Assets | $ 1,619,071 | $ 1,619,071 | $ – | $ – |

**December 31, 2016**

| Asset Category | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Equity mutual funds: | | | | |
| U.S. large-cap core | $ 213,348 | $ 213,348 | $ – | $ – |
| U.S. large-cap value | 89,138 | 89,138 | – | – |
| U.S. large-cap growth | 175,538 | 175,538 | – | – |
| U.S. mid-cap | 93,071 | 93,071 | – | – |
| U.S. small-cap | 58,894 | 58,894 | – | – |
| International | 143,872 | 143,872 | – | – |
| Emerging Markets | 29,994 | 29,994 | – | – |
| Multi-sector | 36,668 | 36,668 | – | – |
| Fixed income mutual funds: | | | | |
| Short-term | 259,953 | 259,953 | – | – |
| High-yield | 98,399 | 98,399 | – | – |
| Intermediate | 209,549 | 209,549 | – | – |
| Real estate securities fund | 46,008 | 46,008 | | |
| Total Assets | $ 1,454,432 | $ 1,454,432 | $ – | $ – |

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

## LEADING INDICATORS OF JERSEY BREED GROWTH AND IMPROVEMENT

| | 2017 | 2007 | 1997 | Change ('17 v. '97) |
|---|---|---|---|---|
| Identification | | | | |
| Animals recorded | 184,957 | 79,535 | 54,767 | 237.7% |
| Animals transferred | 29,366 | 22,554 | 21,552 | 36.3% |
| Performance Programs | | | | |
| Herds enrolled | 947 | 1,084 | 823 | 15.1% |
| Cows enrolled | 157,497 | 121,049 | 77,637 | 102.9% |
| Production *(AJCA lactations, 305-day, 2x, ME)* | | | | |
| Protein, true *(*reported as total protein)* | 743 | 655 | 602* | 30.0% |
| Milk | 20,150 | 18,391 | 16,374 | 23.1% |
| Fat | 985 | 842 | 750 | 31.3% |
| Equity Investment | $ 920,079 | $ 492,518 | $ 274,818 | 234.8% |
| Jersey Marketing Service | | | | |
| Gross for private treaty sales | $4,359,422 | $6,485,953 | $ 2,168,821 | 101.0% |
| Gross for public sales | $ 5,018,153 | $6,603,120 | $ 2,079,312 | 141.3% |
| Combined Net Assets | $4,287,221 | $2,919,234 | $ 2,173,253 | 97.3% |

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