American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation
2008 Annual Report

In our 140th year, new standards were set for company performance, as were greater expectations for Jersey breed improvement and growth.

On behalf of the elected leadership of the American Jersey Cattle Association and National All-Jersey Inc., it is an honor to submit the Annual Report for 2008.

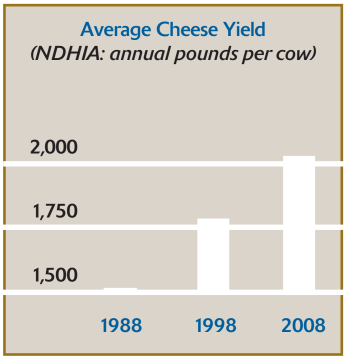
Once the office doors were closed for business last December 31, 2008 went into the record books as the best in history for:

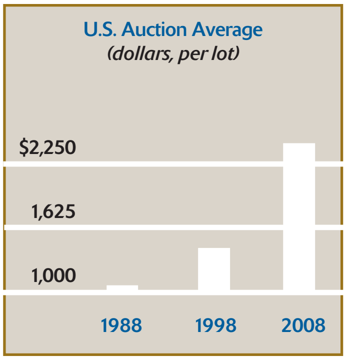
- Animals registered;
- Production per cow, in every category;
- Cows enrolled on all performance programs;
- Cows and herds enrolled on REAP—registration, Equity, appraisal and performance evaluation;
- Cows scored in functional type traits appraisal program; and
- Equity investment.

This happened only because today, our beautiful Jersey cow commands industry-wide respect and admiration for her productivity, longevity and profitability. That, in turn, explains why the Jersey population in the U.S. is growing at an accelerating pace.

The records of 2008 are not simply great accomplishments. They are now the basis by which the future performance of your organizations will be measured. At the same time, the demand for Jersey cattle and genetics has raised our expectations for breed growth.

We are moving boldly into the future.





The industry took note of record Jersey production, record Jersey semen sales and near-record prices for Jerseys at auction.

All-time records for Jersey production were reported by the national Dairy Herd Improvement program and the American Jersey Cattle Association for 2008.

Using actual yield information, DHI reported that 197,928 Jersey cows on official testing plans produced an average of 16,489 lbs. milk, 761 lbs. fat and 594 lbs. protein. This is a gain of 12% for milk, 11% for fat and 7% for protein over the last decade.

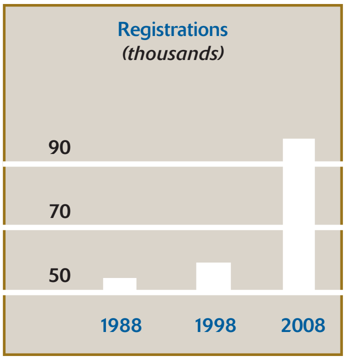
The AJCA processed 78,224 lactations, an 8.5% gain over 2007. Production per cow was 18,457 lbs. milk, 847 lbs. fat and 660 lbs. protein on a 305-day, 2x mature equivalent basis. For cheese yield, the breed average is now a record 2,223 pounds. Actual cheese yield per lactation increased to a record 2,003 pounds.

The National Association of Animal Breeders reported that Jersey semen sales totaled 2,841,960 units, 14.5% greater than the previous record year of 2007. Domestic sales increased 12% to 1,809,739 units. Another 1,032,221 doses were exported, a 19% increase from 2007. Since 1997, Jersey has been the only breed to record continuous annual growth in domestic semen sales. In 12 years, domestic semen sales have increased by 183% and today, Jersey's market share stands at 8.4%.

In 2008, the average price paid for Registered Jerseys™ sold at public auction was $2,303.07, second to the all-time record of $2,435.42 set in 2007. Total receipts for 4,049 lots were $9,325,150, just $66,800 shy of the high gross reported in 2004.

A 55-year-old record was erased, as electronic processing and tag ID make registration easier.

The annual tally of registrations is the single most important measure of the current status and future prospects for the Jersey breed, as well as the association's success in meeting the needs of Jersey owners. Increasing registrations reflect a growing population, and breeder confidence in the menu of services built upon the foundation of permanent identification and pedigree recording.

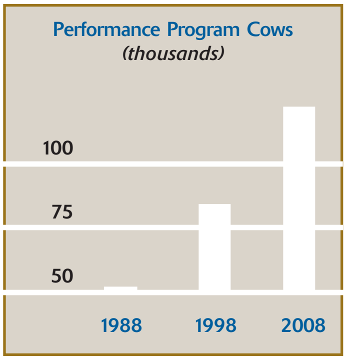


2008's registration count of 94,774 was a 19.2% increase from the previous year, and erased the previous all-time record set in 1953 by 7,092 animals. 2008 was the fifth consecutive year that registrations exceeded 70,000, an accomplishment without precedent in AJCA history.

Last year, 71% of applications were processed electronically, the highest percentage ever achieved. Use of double-matching Association-approved ear tags for permanent ID increased, to 29,678, or 31% of registrations. Orders for JerseyTags increased 30% to 128,422 units.

Services that add value to and promote Registered Jerseys™ were met with record-setting enrollments.

The records established in 2007 for AJCA performance program activity quickly became memories as the months passed in 2008. For all programs, a 6% increase was recorded, establishing the new record of total cows enrolled on December 31 at 128,446. The number of herds using these services increased to 1,157, up 7% from 2007.



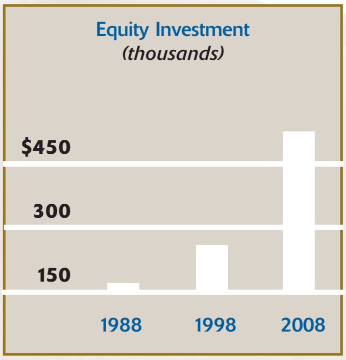
This substantial growth was largely a product of increased enrollments in REAP, the hugely popular and convenient package of four core services. REAP herd enrollment grew 10% from 2007, for a year-end total of 862 herds. The number of cows enrolled at December 31 was 123,656, a 7% increase. As noted earlier, these are all-time records.

Double-digit growth—12%—was achieved in linear type appraisal, with 77,240 scores and breakdowns made by the appraisal team in 1,583 herd visits during 2008. The previous record, set in 2005, was 70,165.

The *Jersey Journal,* the only monthly publication in the world devoted to the Jersey breed, published 1,196 pages in 2008. Use of REAP advertising incentives increased, the result being 601 pages of purchased advertising, the best year on record since 1990.

Support of NAJ's work to increase the value of and demand for Jersey milk set another record in 2008.

Since 1976, the Equity program has focused on providing a fair return for Jersey producers. Including a record $596,697 invested during 2008 by 1,135 participants, over $7.5 million has been directed to National All-Jersey Inc. for its ever-evolving activities.



During the year, NAJ staff focused its efforts on expanding the use of the All-Jersey® label, introducing the new Queen of Quality® brand program, providing support for individual producers and marketing groups, and monitoring milk marketing issues to evaluate their potential impact for Jersey milk producers. Work to analyze the economics of Jersey milk production took a new direction after the imposition of production caps in California. NAJ's analysis produced a compelling finding for affected producers, that production caps don't need to be profit caps. This message was spread through ads in western region publications and at producer and industry workshops in the late summer and fall of 2008.

Jersey Marketing Service leads the industry by establishing a consistent market, setting the most stringent standards for animal ID and health tests, and transferring all information to buyers.

Jersey Marketing Service (JMS), a wholly owned subsidiary of NAJ, followed up its record-setting year in 2007 to market 4,807 lots in 2008 with a value of $9,394,212. This ranks as the fourth best year in company history, with the average selling price of $1,954.28 ranking second all-time.

Public sale management generated $5,923,912 for 2,973 lots in 19 sales. Private treaty transactions of 1,804 head involved 67 sellers, with cattle moving to 47 buyers located in 18 states. In the buyer's column the top states were Texas (689 head), Iowa (183), California (166), South Dakota (156) and Minnesota (138 head).

2008 was also the fourth time in five years that sales have exceeded $9 million. Based upon percentage of ownership transfers filed with the AJCA in 2008, Jersey Marketing Service commands a 28% market share.

Since January 1, 2000, when multiple component pricing took effect in a majority of Federal Orders, Jersey Marketing Service has sold 50,525 lots for a total value of $83.3 million. Annual sales from 2000 to 2008 average $9,253,561, compared to $5,367,258 annually for 1990 through 1999.

The AJCA and NAJ Boards made key investments in program development, member services, marketing and research, and undertook a new initiative to develop our human capital.

These included:

- Significant levels of funding to contribute to the research and development of genome-enhanced genetic evaluations, including testing all consignments to the National Heifer Sale, approximately 200 legacy cows and an additional 600 proven Jersey bulls;
- Roll-out of JerseyLink, a customized software program that interfaces herd management software with the AJCA database, as an added-value REAP service;
- Introduction of a new Queen of Quality® brand program to expand producer opportunities to market products made exclusively from Jersey milk; and
- Research support to obtain technical and consumer evaluations of Jersey beef quality and sensory characteristics.

In the first major development of the AJCA youth program since 1957, the AJCA Board of Directors authorized creation of Jersey Youth Academy with a mission to attract, educate and retain talented young people for careers in the Jersey dairy business. The syndication of BW Academy-ET, donated by Brentwood Farms of Orland, Calif., raised $96,125 for the initiative. By December 31, more than $113,000 had been committed to the program.

The Jersey organizations continue to be operated with a high degree of fiscal responsibility.

The AJCA and NAJ reported combined net income from operations of $257,937, before All American and other income and expenses as explained in the financial statements beginning on page 7. The companies have reported positive net income from operations in each of the past five years, and for 13 of the past 15 years. The balance sheet of the organizations is strong with combined net assets of $2,110,737.

The search for profitability is leading producers straight to the Jersey cow and Jersey genetics.

"We have an animal that is smaller, uses fewer natural resources and produces a smaller carbon footprint. We have a cow with a longer productive life that produces a more nutrient-rich milk that consumers are demanding and are willing to pay for. Jersey is our Queen of Quality® and the future of a successful dairy industry."

President James Ahlem, 2008 NAJ Annual Meeting

This, in a nutshell, is our case for Jersey breed expansion. I urge each and every one of you to commit those ideas to memory, and take every opportunity you find to share that message with your neighbors, your milk marketing cooperative, and your elected officials.

Thank you for your support of and loyalty to the American Jersey Cattle Association and National All-Jersey Inc. Let's continue to work together as a team to make the Jersey cow and the Jersey business as good as they possibly can be.

Neal Smith

Executive Secretary and Chief Executive Officer

Producers across the country are tapping into the story of the Jersey cow and proven superiority of products made from 100% Jersey milk with the All-Jersey® and Queen of Quality® marketing programs from National All-Jersey Inc. These brands help build customer loyalty, increase sales and improve profits.

Neal Smith
Executive Secretary and Chief Executive Officer

Accounting
Vickie J. White, Treasurer

National All-Jersey Inc. and AJCA Herd Services
Erick Metzger

Jersey Marketing Service
Daniel S. Bauer

Field Service
Kristin Paul

Research and Genetic Development
Cari W. Wolfe

Jersey Journal
Kimberly A. Billman

Information Technology
Mark A. Chamberlain

Development
Cherie L. Bayer, Ph.D.

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

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

1868 The American Jersey Cattle Club organized, the first national dairy registration organization in the United States.

1869 First Herd Register published and Constitution adopted.

1872 First Scale of Points for evaluating type adopted.

1880 The AJCC incorporated April 19, 1880 under a charter granted by special act of the General Assembly of New York. Permanent offices established in New York City.

1892 First 1,000-lb. churned butterfat record made (Signal's Lily Flag).

1893 In competition open to all dairy breeds at the World's Columbian Exposition in Chicago, the Jersey herd was first for economy of production; first in amount of milk produced; first in amount of butter; first in amount of cheese; required less milk to make a pound of butter or a pound of cheese; and made the highest quality of butter and cheese.

1903 Register of Merit (ROM) testing established, with the Babcock test used to determine fat content.

1917 First Jersey Calf Clubs organized to encourage interest of boys and girls in the Jersey breed.

1918 First 1,000-lb. fat ROM record (Sophie's Agnes).

1927 The Jersey Creamline milk program established and copyrighted.

1928 Herd Improvement Registry (HIR) testing adopted.

1929 Tattooing required of all Jerseys to be registered.

1932 Type classification program initiated, as were Tested Sire and Tested Dam ratings and Superior Sire awards.

1933 Female registration number 1000000 issued.

1941 By-law amendment providing for selective registration of bulls approved by membership.

1942 The Victory Bull Campaign results in 1,000 Registered Jersey bulls being donated by AJCC members to American farmers.

1944 The Sale of Stars held in Columbus, Ohio, consisting entirely of donated cattle, the proceeds of which were used to purchase a building site for new headquarters.

1946 Debut of the All American Jersey Show and Junior Jersey Exposition. The Sale of Stars is established as an annual national consignment sale, eventually to be renamed The All American Sale.

1948 Transfers for fiscal year 1947-48 establish all-time record at 58,708. Research Department created and cooperative research projects undertaken with Iowa, Kansas, and Ohio State colleges of agriculture. Special research committee named to review Club's research.

1949 Research project on "Relation Between Heifer Type and Type and Production of Cows" undertaken.

1950 The 104 cows owned by E. S. Brigham of Vermont, average 11,703 lbs. milk and 616 lbs. butterfat to become the first herd of 100 or more cows, of any breed, to average more than 600 lbs. on official test.

1953 The AJCC launches *Jersey Journal* on October 5. Registrations total 87,682, setting all-time record.

1955 The All-Jersey® milk program, originated in Oregon and Washington, goes national.

1956 A second all-donation sale, the All-American Sale of Starlets, raises funds for an expanded youth program.

1957 National All-Jersey Inc. organized.

1958 The All American Jersey Show and Sale revived after seven-year hiatus, with the first AJCC-managed National Jersey Jug Futurity staged the following year.

1959 Dairy Herd Improvement Registry (DHIR) adopted to recognize electronically processed DHIA records as official. All-Jersey® trademark sales expand to 28 states.

1960 National All-Jersey Inc. initiates the 5,000 Heifers for Jersey Promotion Project, with sale proceeds from donated heifers used to promote All-Jersey® program growth and expanded field service.

1964 Registration, classification and testing records converted to electronic data processing equipment.

1967 AJCC Research Foundation created as 501(c)(3) charitable trust sponsoring scientific research.

1968 USDA Predicted Difference sire evaluations, which also introduced concept of repeatability, implemented. AJCC Centennial annual meeting held in conjunction with the International Conference of the World Jersey Cattle Bureau and The All American Show & Sale. The All American Sale averages $4,198.21, highest average ever recorded for a Jersey sale.

1969 First 1,500-lb. fat record (The Trademarks Sable Fashion).

1970 Jersey Marketing Service formed as subsidiary of National All-Jersey Inc., and the next year manages National Heifer, Pot O'Gold, and All American sales.

1973 Registered Jerseys on official test average 10,304 lbs. milk and 514 lbs. fat (305-day, 2x, m.e.).

1974 Genetic Recovery program approved by membership.

1975 First 30,000-lb. milk record (Basil Lucy Minnie Pansy).

1976 Equity Project launched to advocate for component-based milk pricing and higher minimum standards.

1978 First multi-trait selection tool, Production Type Index (PTI), introduced. For first time, Jerseys selling at auction average more than $1,000 per head ($1,026.51).

1980 Registrations total 60,975, of which 11,529 are from Genetic Recovery. Linear functional type traits appraisal program replaces classification. Young Sire Program introduced. "800 in '80" results in 813 Equity Investors.

1982 DHIR lactation average reaches 12,064 lbs. milk and 578 lbs. fat. First 1,000-lb. protein record made (Rocky Hill Silverlining Rockal).

1983 Five bulls enrolled in the Young Sire Program receive USDA summaries. All are plus.

1984 Jersey milk producers receive additional income estimated at $16 million due to Equity market development. The first *Jersey Directory* is published.

1985 First regional young sire proving group, Dixieland Jersey Sires, Inc., organized, two more set up by 1987.

1986 Jersey Mating Program implemented.

1987 For first time, 50,000 cows enrolled on performance program. Committee appointed to increase the AJCC Research Foundation endowment to $1 million. The largest All American Jersey Show in history is completed, with 617 head exhibited.

1988 USDA issues decision implementing multiple component pricing in the Great Basin Federal Order. DHIR lactation average reaches 13,068 lbs. milk and 616 lbs. fat. The new AJCC-NAJ headquarters building is completed. Laurence and Mary French Rockefeller of The Billings Farm donate $100,000 to the AJCC Research Foundation.

1989 AJCC and NAJ Boards adopt challenge of increasing protein production in relation to butterfat production.

1990 DHIR lactation average reaches 14,091 lbs. milk, 662 lbs. fat and 524 lbs. protein. The National Jersey Jug Futurity has its largest show ever, with 62 exhibited.

1991 REGAPP software introduces paperless registration. Sunny Day Farm and Meri-Acres become the first Jersey herds to average over 20,000 lbs. milk per cow.

1993 DHIR lactation average reaches 15,231 lbs. milk, 706 lbs. fat and 564 lbs. protein.

1994 The Club is reincorporated in the State of Ohio and its name changed to American Jersey Cattle Association.

1995 REAP—bundling registration, Equity/NAJ membership, performance evaluation and type appraisal—introduced.

1996 After USDA calls for proposals on Federal Order pricing reform, National All-Jersey Inc. is among first to respond, recommending use of end-product pricing for all classes of milk. Breed average reaches 16,051 lbs. milk, 737 lbs. fat and 591 lbs. protein. Record average set for the All American Sale at $7,793.33.

1997 Genetic Diversity Program is introduced. Performance program enrollments exceed 75,000 cows for first time.

1998 Introduction of internet-intranet data processing system delivers real-time registration service and on-demand pedigree information 24/7. Net assets of the AJCC Research Foundation reach $1 million.

1999 On March 31, USDA issues final rule applying multiple component pricing to 85% of Federal Order production, effective January 1, 2000. Jersey Expansion program is introduced. First 2,000-lb. fat record (Golden MBSB of Twin Haven-ET).

2000 DHIR lactation average reaches 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 Rules are expanded to allow use of approved tamperproof American ID tags for registration ID. Jersey Performance Index™ implemented, with 70% emphasis on production and 30% on fitness traits. The All American Jersey Show & Sale celebrates 50th anniversary. The All American Junior Show is the largest in history at 333 head exhibited.

2003 NAAB reports domestic sales of Jersey semen exceed 1 million units for the first time. *Jersey Journal* celebrates 50th anniversary of publication.

2004 Equity membership grows to 1,000 for the first time in history. Jersey Marketing Service completes first $10 million year for public auction and private treaty sales.

2005 The 95 heifers donated to the National Heifer Sale average $3,626.11, with proceeds to the AJCC Research Foundation and national Jersey youth programs. After 30 years, 284,302 females recorded through Genetic Recovery, 16.3% of all registrations. REAP ends first decade with record 108,786 cows in 728 herds. Royalties paid to members of five regional young sire groups since their inception tops $1 million.

2006 USDA-AIPL revision of Productive Life evaluations shows Jerseys have 183-day advantage over industry average. Jersey Performance Index™ is revised with weights of 60% for production, 40% on fitness traits.

2007 First 2,500-lb. fat record (Norse Star Hallmark Bootie). Mainstream Jerseys becomes first Jersey herd to average over 30,000 lbs. milk per cow. Auction sales price sets all-time record of $2,435.42 per lot. Jersey Marketing Service completed best year in its history with gross sales of $13,089,073.

2008 Registrations of 94,774 establish all-time reccord. Breed production increases to 18,457 lbs. milk, 847 lbs. fat, and 660 lbs. protein. First 50,000-lb. milk and 1,750-lb. protein record (Mainstream Barkly Jubilee). Duncan Hibrite of Family Hill sets all-time records for lifetime production. Performance program enrollment reaches a record of 128,446 cows in 1,157 herds. Likewise, REAP sets records of 123,656 cows, 862 herds. A record 77,240 cows appraised in the functional type traits program. JerseyLink™ is introduced. Record average set for the National Heifer Sale at $4,411.67. Jersey Youth Academy created. Equity membership grows to record of 1,135. Investment in Project Equity since 1976 surpasses $7.5 million. NAAB reports record Jersey semen sales of 2,841,960 units, domestic and export.

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 $257,937 for the year ended December 31, 2008.

American Jersey Cattle Association

Revenues	$ 2,643,232
Expenditures	$ 2,494,769
Net Income from Operations (before All American and Other Income and Expense)	$ 148,463

National All-Jersey Inc. and Subsidiary

Revenues	$ 1,022,960
Expenditures	$ 913,486
Net Income from Operations	$ 109,474

Program participation reached historic levels in several service areas during 2008. Combined revenues are as follows:

Identification Services	33%
Performance Services	19%
Jersey Journal	15%
Equity	16%
Cattle Marketing Services	10%
Other	7%

The organizations' marketable securities are reported at market value of $1,227,057. Accounting Standards require marketable securities to be reported at market value, therefore an unrealized loss was recorded at December 31, 2008 to reflect the variance in cost versus fair market value of the companies' investments. In addition, the companies were required to report pension-related changes of $343, 053.

The companies reported net assets at December 31, 2008 of:

American Jersey Cattle Association	$ 1,345,751
National All-Jersey Inc. and Subsidiary	$ 764,986
Total (combined) net assets	$ 2,110,737

The AJCC Research Foundation reported net assets of $1,137,711 at year-end December 31, 2008. The Research Foundation, along with funding from AJCA and NAJ, supported eight projects totaling $53,765. In addition, the AJCA Board approved funding from the AJCC Research Foundation for genome testing in 2008. The scholarship funds administered by the AJCA awarded nine scholarships totaling $14,900. Total combined net assets in the scholarship funds as of December 31, 2008 were $268,848.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accounting firm, McGladrey & Pullen, LLP. These statements clearly state the financial position of the companies at December 31, 2008.

Respectfully submitted,

Vickie J. White

Vickie J. White
Treasurer

To the Board of Directors
American Jersey Cattle Association
Reynoldsburg, Ohio

Independent Auditor's Report

We have audited the accompanying statements of financial position of American Jersey Cattle Association as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Jersey Cattle Association as of December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

McGladrey & Pullen, LLP
Columbus, Ohio
May 4, 2009

American Jersey Cattle Association

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ 618,860	$ 125,262
Investments	169,177	233,024
Accounts receivable, net	232,548	212,599
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	233,949	610,141
Supplies and inventories	18,731	16,525
Prepaid expenses and other assets	69,392	80,070
Total current assets	1,342,657	1,277,621
PROPERTY AND EQUIPMENT		
Land	68,000	68,000
Building	494,448	494,448
Operating equipment	1,458,528	1,431,498
Software development	540,379	540,379
	2,561,355	2,534,325
Less accumulated depreciation and amortization	(1,890,595)	(1,871,205)
	670,760	663,120
OTHER ASSETS		
Investments	718,560	1,005,196
Advances due National All-Jersey Inc. and All-Jersey Sales Corporation	136,758	41,644
	855,318	1,046,840
	$2,868,735	$2,987,581

LIABILITIES AND NET ASSETS	2008	2007
CURRENT LIABILITIES		
Current portion of obligation under co-borrowing credit agreement (total balance of $52,933 and $120,441 at December 31, 2008 and 2007, respectively), portion borrowed by AJCA	$ 44,993	$ 57,501
Current portion of capital lease obligations	32,040	25,164
Current portion of unexpired subscriptions and directory listings	35,917	22,403
Accounts payable	167,229	36,228
Accrued expenses	75,141	65,063
Awards, The All American Show & Sale	52,667	51,382
Awards, National Jersey Jug Futurity	13,532	13,794
Unearned fees and remittances	323,449	404,032
Total current liabilities	744,968	675,567
NONCURRENT LIABILITIES		
Obligation under co-borrowing credit agreement (total balance of $52,933 and $120,441 at December 31, 2008 and 2007, respectively), portion borrowed by AJCA	—	44,874
Capital lease obligations, net of current portion	76,540	49,958
Unexpired subscriptions and directory listings, net of current portion	41,140	44,983
Accrued pension obligation	660,336	138,815
	778,016	278,630
Total liabilities	1,522,984	954,197
NET ASSETS		
Unrestricted:		
Designated	875,546	1,166,678
Undesignated	470,205	866,706
Total net assets	1,345,751	2,033,384
	$2,868,735	$2,987,581

See notes to the financial statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2008 and 2007

	2008	2007
REVENUES		
Fees	$2,019,055	$1,914,885
Jersey Journal advertising and subscriptions	578,512	498,031
Interest and dividend income	29,830	44,185
Other	15,835	18,468
Total revenues	2,643,232	2,475,569
COST OF OPERATIONS		
Salaries, service, and administrative	1,849,229	1,717,579
Jersey Journal publishing	505,644	398,251
Depreciation and amortization	133,085	135,695
Interest expense	6,811	9,815
Total cost of operations	2,494,769	2,261,340
INCREASE IN NET ASSETS FROM OPERATIONS	148,463	214,229
OTHER INCOME (EXPENSE)		
Net gain (loss) from The All American Show and Sale	(41,991)	6,768
Net unrealized gain on investments	(337,312)	6,778
Realized gain (loss) on investments and property and equipment	15,010	49,805
Net periodic pension cost	(10,020)	(8,206)
Total other income (expense)	(374,313)	55,145
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	(225,850)	269,374
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	4,496	13,400
Total expenditures from designated net assets	4,496	13,400
CHANGE IN NET ASSETS BEFORE EFFECT OF POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC POSTRETIREMENT COST	(230,346)	255,974
POSTRETIREMENT CHANGES OTHER THAN NET PERIODIC PENSION COST	457,287	(17,928)
CHANGE IN NET ASSETS	(687,633)	273,902
NET ASSETS, beginning	2,033,384	1,759,482
NET ASSETS, ending	$1,345,751	$2,033,384

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: Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of a Not-for-Profit Organization* requires the Association 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 $718,560 and $156,986 for 2008 and $1,005,106 and $161,482 for 2007, 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, 2008 and 2007, 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, 2008 and 2007, 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 effect 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.

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.

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

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 $45,000 and $55,000 as of December 31, 2008 and 2007, 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 recovery of $13,878 and $1,388 was recognized for the years ended December 31, 2008 and 2007, 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 accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net 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 reportable at the lower of the carrying amount or fair value, less costs to sell.

Investments: Investments consist of money market and mutual funds. Money market funds are carried at cost. Mutual funds are carried at fair value on the statement of financial position, with the change in fair value included in the statement of activities.

Fair Value: The Association adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157) effective January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The adoption of SFAS 157 did not have a material impact on the financial statements or results of operations of the Association. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "*Effective Date of FASB Statement No. 157*," the Association will delay application of SFAS 157 for non-financial assets and non-financial liabilities such as goodwill, other intangibles, real estate owned, and repossessed assets until December 31, 2008. SFAS 157 applies to all assets and liabilities that are measured and reported on a fair value basis. The Association is currently assessing the potential effect of the adoption of the remaining provisions of SFAS No. 157 on its financial position, results of operations and cash flows.

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 2008 and 2007, these activities include primarily magazine advertising. Income tax expense for 2008 and 2007 amounted to $14,100 and $11,128, respectively, and is included in Jersey Journal publishing expense on the statement of activities and changes in net assets.

Concentrations of Credit Risk: The Association maintains its demand deposits in a financial institution which is insured by the Federal Deposit Insurance Corporation up to $250,000. Cash equivalents and investments are maintained in trust accounts with a trust company. In addition, the Association maintains cash balances at financial institutions which may exceed federally insured amounts. The Association continually monitors its balances to minimize the risk of loss.

AJCA's trade receivables result from registrations and related fees due from members who are located throughout the United States.

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

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

Class of Assets	Useful Lives
Building	31-1/2 years
Operating equipment	3–10 years
Software development	15 years

Software development represents costs incurred as part of the Member Services Processing System (MSPS).

Capital Leases: The Association acquired office equipment under a noncancellable lease which is accounted for as a capital lease. The asset and liability under a capital lease is recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of the equipment under capital leases is included in depreciation and amortization expense.

Affiliated Company: AJCA is affiliated with National All-Jersey Inc. (NAJ) and its wholly owned subsidiary, All-Jersey Sales Corporation (AJSC). These entities conduct operations from the same facility and have certain common directors, officers, and staff. Therefore, it is necessary to allocate jointly incurred expenses, such as salaries, rents, utilities, depreciation, and other costs of service and administration. The costs of operations reflected in the Statement of Activities of AJCA are net of reimbursements of $117,640 and $126,460 for 2008 and 2007, respectively, from the above-mentioned affiliated companies for these jointly incurred costs. Also, AJSC has available a $175,000, due on demand, line of credit which is collateralized by investments held by AJCA and NAJ. No funds were drawn on the line as of December 31, 2008 or 2007.

AJCA and NAJ are obligated under a co-borrowing credit agreement (See Note 5.). Under this co-borrowing credit agreement, AJCA is jointly and severally liable, along with NAJ, for the entire outstanding balance of the credit facility which was $52,933 and $120,441 as of December 31, 2008 and 2007, respectively. The portion of the total advance allocated to AJCA under the credit agreement has been recorded as "obligation under co-borrowing credit facility, portion borrowed by AJCA" in the accompanying statement of financial position.

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 and net periodic benefit cost and other comprehensive income 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, 2008 and 2007 of $136,758 and $41,644, respectively (see Note 3).

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

Supplies and Inventories: Supplies and inventories consist of office supplies and promotional items available for sale which are valued at cost.

Advertising: The Association's advertising efforts are associated with nondirect-response programs. The costs are expensed in the period of the related advertisement. The Association expensed $29,338 and $21,013 for the years ended December 31, 2008 and 2007, respectively.

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

Reclassifications: Certain 2007 amounts have been reclassified to be in conformity with current year presentation.

Recent Accounting Pronouncement: In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the Association is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. The Association presently recognizes income tax positions based on management's estimate of whether it is probable and can be reasonably estimated that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Association has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises, such as American Jersey Cattle Association, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Association will be required to adopt FIN 48 in its 2009 annual financial statements. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

Note 2. Functional Expenses

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

	2008	2007
Records	$ 475,610	$ 348,786
Data processing	352,697	286,454
Performance	555,735	474,508
Jersey Journal	504,865	413,127
Information	165,741	118,828
Field	434,893	345,800
Accounting, administration, and general	472,535	264,115
Total cost of operations	$2,962,076	$2,251,618

Note 3. Pension Plans

Effective December 31, 2002, the Board of Directors of AJCA froze the Defined Benefit Pension Plan (Plan). The Plan's administrator has not determined the amount required to fund the Plan if management decided to terminate the Plan which could be in excess of the accrued pension obligation. The Plan is non-contributory and covered substantially all employees 21 years of age or older hired prior to January 1, 2003, who had been employed for one year with at least 1,000 hours of service. AJCA's funding policy is to contribute such amounts as are required on an actuarial basis to provide the Plan with sufficient assets to meet the benefits payable to Plan participants. The Plan assets are stated at fair value and primarily consist of bond and mutual funds.

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

	2008	2007
Pension benefit obligations		
Balance, beginning of year	$ 1,276,180	$ 1,412,596
Interest cost	73,736	75,257
Actuarial (gain) loss	139,767	(36,778)
Benefits paid	(55,421)	(174,895)
Balance, end of year	1,434,262	1,276,180
Plan Assets		
Fair value, beginning of year	1,137,365	1,161,317
Actual returns on Plan assets	(358,018)	50,943
Employer contributions	50,000	100,000
Benefits paid	(55,421)	(174,895)
Fair value, end of year	773,926	1,137,365
Accrued pension obligation	$ 660,336	$ 138,815

Assumptions used in the accounting as of December 31:

	2008	2007
Discount rate	5.43%	5.80%
Long-term rate of return	7.50%	7.50%

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

	2008	2007
Interest cost	$ 73,736	$ 75,257
Actual return on Plan assets	358,018	(50,943)
Actuarial (gain) loss	139,767	(36,778)
Total pension (benefit) expense	571,521	(12,464)
Less pension benefit (expense) of NAJ and Subsidiary	(104,214)	2,742
Pension (benefit) expense of AJCA	$ 467,307	$ (9,722)

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

	2008	2007
Unrecognized net loss	$ 92,000	$ —

Weighted-average Plan asset allocations, by asset category:

	2008	2007
Equity securities	51%	60%
Debt securities	49%	40%
Total	100%	100%

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.

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

Estimated Future Benefit Payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2009	$ 63,749
2010	$ 58,562
2011	$ 58,370
2012	$ 57,158
2013	$ 57,414
Years 2014 - 2018	$ 358,144

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 2008 and 2007 amounted to $18,221 and $16,572, respectively.

Note 4. Designation of Net Assets

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

	2008	2007
Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 8)*	$ 718,560	$1,005,196
Research and development - increased annually on a discretionary basis	156,986	161,482
	$ 875,546	$1,166,678

In 2008 and 2007, there were expenditures of $4,496 and $13,400, respectively, from the research and development designated net assets.

Note 5. Obligation under Co-Borrowing Credit Agreement

AJCA and NAJ are co-makers and, therefore, are both obligated under a co-borrowing credit agreement. The funds were used to finance the development of computer software and building improvements. Under this co-borrowing credit agreement, AJCA is jointly and severally liable, along with NAJ, for the entire outstanding balance of the credit facility which was $52,933 and $120,441 as of December 31, 2008 and 2007, respectively. Advances to AJCA under the credit agreement have been recorded as "obligation under co-borrowing credit agreement, portion borrowed by AJCA" in the accompanying statement of financial position. The long-term note requires monthly payments of $6,006 including interest at 5.0% through September 2009.

Liability for this debt is shared jointly and severally by AJCA, National-All Jersey Inc. and All-Jersey Sales Corp. The Board of Directors of AJCA and NAJ have agreed to allocate the cost of the software and applicable debt at a ratio of 85% to AJCA, 7.5% to NAJ, and 7.5% to AJSC, based on expected utilization by the respective organizations. AJCA's allocated share amounts to $44,993 and $102,375 at December 31, 2008 and 2007, respectively. The note is collateralized by AJCA's investment securities obtained from the proceeds of the sale of a former operating facility (see Notes 4 and 8).

Principal payments required on the co-borrowing credit agreement at December 31, 2008:

	AJCA	NAJ	Total
2009	$ 44,993	$ 7,940	$ 52,933

Condensed consolidated financial statements of NAJ (the co-borrower) as of and for the year ended December 31, 2008 are as follows:

Current assets	$ 1,431,419
Other assets	79,511
Total	$ 1,510,930
Current liabilities	$ 609,186
Accrued pension obligation	136,758
Net assets	764,986
Total	$ 1,510,930
Revenues	$ 1,022,960
Cost of operations	913,486
Other expenses, net	230,338
Change in net assets	$ (120,864)
Cash provided by operating activities	$ 340,167
Cash used in investing activities	968
Cash used in financing activities	(10,127)
Net increase in cash and cash equivalents	$ 331,008

Note 6. Line of Credit

At December 31, 2008 and 2007, the AJCA has available a $100,000, due on demand, line of credit with interest payable monthly at prime (3.25% and 7.50% at December 31, 2008 and 2007, respectively) which expires July 2010. The line is collateralized by investments held by AJCA and NAJ (Note 8). No funds were drawn on the line as of December 31, 2008 or 2007.

Note 7. Capital Lease Obligations

The Company is a lessee of equipment under capital leases which expire in 2011 and 2013. At December 31, the underlying equipment was reflected in the accompanying statements of financial position as follows:

	2008	2007
Operating equipment	$ 133,398	$ 124,152
Less accumulated amortization	(26,398)	(52,980)
	$ 107,000	$ 71,172

The Company pays monthly capital lease payments of $2,845, which expire during 2011 and 2013. Minimum future annual lease payments under capital leases as of December 31, 2008 in the aggregate are as follows:

Years Ending:	2009	$ 32,652
	2010	32,652
	2011	22,950
	2012	22,068
	2013	18,390
		128,712
Less amount representing interest		(20,132)
Present value of minimum lease payments		108,580
Less current portion		(32,040)
Noncurrent portion		$ 76,540

Note 8. Investments

Investments consisted of the following at December 31:

	2008	2007
Money market	$ 48,408	$ 48,032
Mutual funds	839,329	1,190,188
	$ 887,737	$ 1,238,220

Total investment income consists of the following at December 31:

	2008	2007
Interest and dividend income	$ 31,812	$ 47,076
Net unrealized gain (loss) on investments	(358,242)	6,990
Realized gain on investments	7,532	52,704
	$ (318,898)	$ 106,770

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

	2008	2007
Interest	$ 1,982	$ 2,891
Net unrealized gain (loss) on investments	(20,931)	212
Realized gain on investments	413	2,899
	$ (18,536)	$ 6,002

Fair Value Measurements

Effective January 1, 2008, the Association adopted FASB Statement No. 157, *Fair Value Measurements* ("FAS No. 157"), which provides a framework for measuring fair value under generally accepted accounting principles. FAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. As defined in FAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Association uses various methods including market, income and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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.

For the year ended December 31, 2008, the application or valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

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

Fair Value on a Recurring Basis: The table below presents the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2008:

Securities	Total	Level 1	Level 2	Level 3
Mutual Funds – Equity	$ 839,329	$ 839,329	$ —	$ —
Total Assets	$ 839,329	$ 839,329	$ —	$ —

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

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2008 and 2007 and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2008 and 2007 and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

McGladrey & Pullen, LLP
Columbus, Ohio
May 4, 2009

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	$ 811,205	$ 480,197
Custodial cash	164,107	511,897
Investments	339,320	467,378
Accounts receivable, net	89,600	315,895
Interest receivable	2,341	2,500
Prepaid expenses	20,246	9,840
Deferred income taxes	4,600	—
Total current assets	1,431,419	1,787,707
PROPERTY AND EQUIPMENT		
Land	12,000	12,000
Building	87,256	87,256
Furniture and equipment	5,190	5,190
Software development	79,652	79,652
Vehicles	81,197	95,364
	265,295	279,462
Less accumulated depreciation and amortization	(185,984)	(186,662)
	79,311	92,800
OTHER ASSETS		
Deferred income taxes	200	700
	$1,510,930	$1,881,207
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of obligation under co-borrowing credit agreement (total balance of $52,933 and $120,441 at December 31, 2008 and 2007, respectively), portion borrowed by NAJ	$ 7,940	$ 10,148
Accounts payable	22,271	3,929
Advances due to American Jersey Cattle Association	233,949	610,141
Fees due consignors	263,160	197,149
Accrued expenses	21,002	66,554
Advances and reserves for advertising	31,828	31,828
Deferred income	29,036	26,046
Total current liabilities	609,186	945,795
NONCURRENT LIABILITIES		
Obligation under co-borrowing credit agreement (total balance of $52,933 and $120,441 at December 31, 2008 and 2007, respectively), portion borrowed by NAJ	—	7,918
Accrued pension obligation due to American Jersey Cattle Association	136,758	41,644
	136,758	49,562
Total liabilities	745,944	995,357
NET ASSETS		
Unrestricted:		
Designated	127,055	137,055
Undesignated	637,931	748,795
Total net assets	764,986	885,850
	$1,510,930	$1,881,207

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2008 and 2007

	2008	2007
REVENUES		
Equity project fees	$ 596,697	$ 492,518
Commissions	397,442	561,837
Interest and dividend income	21,578	39,285
Other	7,243	13,819
Total revenues	1,022,960	1,107,459
COST OF OPERATIONS		
Salaries, service, and administrative	844,720	858,145
Field services	54,261	59,662
Bad debt expense	331	14,377
Depreciation and amortization	13,489	15,479
Interest	685	1,182
Total costs of operations	913,486	948,845
INCREASE IN NET ASSETS FROM OPERATIONS	109,474	158,614
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain (loss) on investments	(128,079)	20,922
Pension expense (benefit)	(104,214)	2,742
Total other income (expense)	(232,293)	23,664
CHANGE IN NET ASSETS BEFORE INCOME TAX AND EXPENDITURES FROM DESIGNATED NET ASSETS	(122,819)	182,278
INCOME TAX EXPENSE (BENEFIT)	(11,955)	15,600
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	(110,864)	166,678
EXPENDITURES FROM DESIGNATED NET ASSETS		
Research and development	10,000	24,800
Total expenditures from designated net assets	10,000	24,800
CHANGE IN NET ASSETS	(120,864)	141,878
NET ASSETS, beginning	885,850	743,972
NET ASSETS, ending	$ 764,986	$ 885,850

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: Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of a Not-for-Profit Company* requires the Company 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 $127,055 and $137,055 for 2008 and 2007, respectively.

Temporarily Restricted Net Assets – Temporarily restricted net assets result from timing differences between the receipt of funds or pledges of funds and the incurrence of the related expenditures. The Company reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements 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, 2008 and 2007, 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, 2008 and 2007, 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.

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 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.

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

Custodial Cash: The Company maintains cash due consignors in separate custodial cash accounts.

Accounts Receivable: JMS extends credit to buyers of cattle at public auction sales. JMS typically does not pay sellers of cattle until collection from buyers has occurred for dispersal auction sales, per the sales contract. JMS typically guarantees payment to consignors of public consignment auction sales based on the selling price of the consignment. Accounts receivable are reflected at their billed amount. Management estimated an allowance for doubtful accounts, which was $11,250 as of December 31, 2008 and 2007. Bad debt expense of $331 and $14,377 was recognized for 2008 and 2007, 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 2008 and 2007 include reimbursements of $117,640 and $126,460, respectively, paid to the Association for these jointly incurred costs.

NAJ and AJCA are obligated under a co-borrowing credit agreement (See Note 6). Under this co-borrowing credit agreement, NAJ is jointly and severally liable, along with AJCA, for the entire outstanding balance of the credit facility which was $52,933 and $120,441 as of December 31, 2008 and 2007, respectively. The portion of the total advance allocated to NAJ under the credit agreement has been recorded as "obligation under co-borrowing credit facility, portion borrowed by NAJ" in the accompanying statement of financial position.

Valuation of Long-Lived Assets: The Cooperative accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net 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 reportable at the lower of the carrying amount or fair value, less costs to sell.

Investments: Investments consist of money market and mutual funds. Money market funds are carried at cost. Mutual funds are carried at fair value on the statement of financial position, with the change in fair value included in the statement of activities and changes in net assets.

Fair Value: The Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157) effective January 1, 2008. SFAS 157 defines fair value, established a framework for measuring fair value and expands disclosure of fair value measurements. The adoption of SFAS 157 did not have a material impact on the financial statements or results of operations of the Company. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "*Effective Date of FASB Statement No. 157*", The Company will delay application of SFAS 157 for non-financial assets and non-financial liabilities such as goodwill, other intangibles, real estate owned, and repossessed assets until December 31, 2008. SFAS 157 applies to all assets and liabilities that are measured and reported on a fair value basis. The Company is currently assessing the potential effect of the adoption of the remaining provisions of SFAS No. 157 on its financial position, results of operations and cash flows.

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.

Concentration of Credit Risk: The Company maintains its demand deposits in one financial institution which is insured by the Federal Deposit Insurance Corporation up to $250,000. Cash equivalents and investments are maintained in trust accounts with a trust company. In addition, the Company maintains cash balances at financial institutions which may exceed the federally insured amounts. 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	Estimated Useful Lives
Building	31 1/2 years
Furniture and equipment	10 years
Software development	15 years
Vehicles	3–5 years

Software development represents costs incurred as part of the Member Services Processing System (MSPS).

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

Advertising: The Company's advertising efforts are associated with nondirect-response programs. The costs are expensed in the period of the related advertisement. The Company expensed $3,051 and $4,088 for the years ended December 31, 2008 and 2007, respectively.

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

Recent Accounting Pronouncement: In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* - an interpretation of FASB Statement 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the Company is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. The Company presently recognizes income tax positions based on management's estimate of whether it is probable and can be reasonably estimated that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Company has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises, such as National All-Jersey, Inc. and Subsidiary, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Company will be required to adopt FIN 48 in its 2009 annual financial statements. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

Reclassifications: Certain reclassifications have been made to the 2007 financial statements to be in conformity with the current year presentation.

Note 2. Functional Expenses

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

	2008	2007
National All-Jersey Equity program	$ 386,999	$ 378,096
Accounting, administration, general and field service	158,636	82,167
All-Jersey Sales (JMS)	472,065	485,840
Total cost of operations and pension expense (benefit)	$ 1,017,700	$ 946,103

Note 3. Advances and Reserves for Advertising

	December 31, 2008	2007
5% National - represents funds accumulated as a percentage of member advances to be applied to cost of national or regional advertising for benefit of all members	$31,828	$31,828

Note 4. Pension Plans

All eligible staff of National All-Jersey Inc. and Subsidiary who meet the eligibility requirements are included in the American Jersey Cattle Association Pension Plan (Plan). Effective December 31, 2002, the Board of Directors of AJCA froze the Plan. The Plan's administrator has not determined the amount required to fund the Plan if management would decide to terminate the Plan. The amount required to terminate the Plan could be in excess of the accrued pension obligations. The Plan covers substantially all employees 21 years of age or older hired prior to January 1, 2003, who had been employed for one year with at least 1,000 hours of service.

The Plan is administered by AJCA, the Plan sponsor. Required contributions, expense and pension liability for the Plan are allocated among AJCA and NAJ by the Board of Directors of AJCA. For the years ended December 31, 2008 and 2007, NAJ has included on its Statement of Activities pension plan expense (benefit) of $104,214 and $(2,742), respectively.

The amount of accrued pension obligation was $136,758 and $41,644 at December 31, 2008 and 2007, respectively. The accrued pension obligation is payable to AJCA.

The Company maintains a 401(k) plan covering substantially all employees, who have been employed for one year with at lease 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 2008 and 2007 amounted to $7,071 and $5,901, respectively.

Note 5. Designation of Net Assets

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

	2008	2007
Research and development: Increased annually on a discretionary basis. In 2008 and 2007, there were expenditures of $10,000 and $24,800, respectively, from the research and development of designated net assets.	$127,055	$137,055

Note 6. Obligation under Co-borrowing Credit Agreement

NAJ and AJCA are co-makers and, therefore, are both obligated under a co-borrowing credit agreement. The funds were used to finance the development of computer software and building improvements. Under this co-borrowing credit agreement, NAJ is jointly and severally liable, along with AJCA, for the entire outstanding balance of the credit facility which was $52,933 and $120,441 as of December 31, 2008 and 2007, respectively. Advances to NAJ under the credit agreement have been recorded as "obligation under co-borrowing credit agreement, portion borrowed by NAJ" in the accompanying statement of financial position. The long-term note requires monthly payments of $6,006 including interest at 5.0% through September 2009.

Liability for this debt is shared jointly and severally by AJCA, National-All Jersey Inc. and All-Jersey Sales Corp. The Board of Directors of AJCA and NAJ have agreed to allocate the cost of the software and applicable debt at a ratio of 85% to AJCA, 7.5% to NAJ, and 7.5% to AJSC, based on expected utilization by the respective organizations. NAJ's allocated share amounts to $7,940 and $18,148 at December 31, 2008 and 2007, respectively. The note is collateralized by AJCA's investment securities obtained from the proceeds of the sale of a former operating facility.

Principal payments required on the co-borrowing credit agreement at December 31:

	NAJ	AJCA	Total
2009	$ 7,940	$ 44,993	$ 52,933

Condensed financial statements of AJCA (the co-borrower) as of and for the year ended December 31, 2008 are as follows:

Current assets	$ 1,342,657
Other assets	1,526,078
Total	$ 2,868,735
Current liabilities	$ 744,968
Accrued pension obligation	660,336
Other noncurrent liabilities	117,680
Net assets	1,345,751
Total	$ 2,868,735
Revenues	$ 2,643,232
Cost of operations	2,494,769
Other income, net	(836,096)
Change in net assets	$ (687,633)
Cash provided by operating activities	$ 1,117,681
Cash used in investing activities	(87,312)
Cash used in financing activities	(79,484)
Net increase in cash and cash equivalents	$ 950,885

Note 7. Income Taxes

The provision (benefit) for income taxes for the years ended December 31 consists of the following:

	2008		
	Federal	State and Local	Total
Current	$ (7,100)	$ (755)	$ (7,855)
Deferred	(4,100)	—	(4,100)
	$ (11,200)	$ (755)	$ (11,955)

	2007		
	Federal	State and Local	Total
Current	$ 9,300	$ 800	$ 10,100
Deferred	5,500	—	5,500
	$ 14,800	$ 800	$ 15,600

Note 8. Line of Credit

At December 31, 2008 and 2007, the Company has available a $175,000, due on demand, line of credit with interest payable monthly at prime (3.25% and 7.50% at December 31, 2008 and 2007, respectively). The line is collateralized by investment securities held by NAJ and American Jersey Cattle Association. No funds were drawn on the line at December 31, 2008 or 2007.

Note 9. Investments

Investments consisted of the following at December 31:

	2008	2007
Money market funds	$ 35,555	$ 35,581
Mutural funds	303,765	431,797
	$ 339,320	$ 467,378

	2008	2007
Interest and dividend income	$ 21,578	$ 39,285
Net realized and unrealized gain (loss) on investments	(128,079)	20,922
	$ (106,501)	$ 60,207

Fair Value Measurements

Effective January 1, 2008, the Association adopted FASB Statement No. 157, *Fair Value Measurements* ("FAS No. 157"), which provides a framework for measuring fair value under generally accepted accounting principles. FAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. As defined in FAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Association uses various methods including market, income and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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.

For the year ended December 31, 2008, the application or valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

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

Fair Value on a Recurring Basis: The table below presents the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2008:

Securities	Total	Level 1	Level 2	Level 3
Mutural Funds – Equity	$ 303,765	$ 303,765	$ —	$ —
Total Assets	$ 303,765	$ 303,765	$ —	$ —

American Jersey Cattle Association
National All-Jersey Inc.
All-Jersey Sales Corporation

Leading Indicators of Jersey Breed Growth and Improvement

	2008	1998	1988	Change ('08 v. '88)
Identification				
Animals recorded	94,774	54,145	57,236	65.6%
Animals transfered	17,089	22,635	24,630	– 30.6%
Performance Programs				
Herds enrolled	1,157	780	782	48.0%
Cows enrolled	128,446	81,949	53,258	141.3%
Production (AJCA lactations, 305-day, 2x, ME)				
Protein *(true protein)*	660	619	—	
Milk	18,457	16,841	13,575	36.0%
Fat	847	771	637	33.0%
Equity Investment	$ 596,697	$ 290,220	$ 162,327	267.6%
Jersey Marketing Service				
Gross for private treaty sales	$3,470,300	$3,369,883	$1,072,096	223.7%
Gross for public sales	$5,923,912	$3,468,095	$1,750,432	238.4%
Combined Net Assets	$ 2,110,737	$ 2,175,726	$1,679,608	25.7%

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