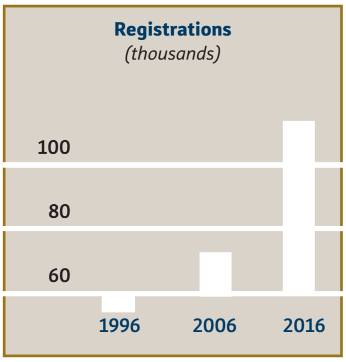
2016
Annual Report

AMERICAN JERSEY CATTLE ASSOCIATION
NATIONAL ALL-JERSEY INC.
www.usjersey.com

A milestone year, taking stock, and moving forward.

A production milestone achieved. A seventh consecutive year-over-year increase in market share. Activity in core services sustained. Animal ID programs modernized to be more accurate and transparent. These and the other accomplishments of 2016 made it a year of progress for the Jersey breed and the American Jersey Cattle Association (AJCA) and National All-Jersey Inc. (NAJ).



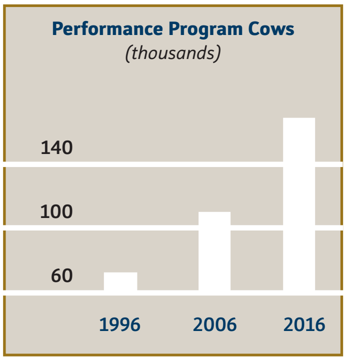
A milestone was achieved.

By every measure, Jersey productivity reached new heights last year, but one record stands above all the others. The official breed average for milk broke 20,000 pounds.

The 2016 averages of 20,139 lbs. milk, 975 lbs. fat and 737 lbs. protein were calculated from 100,175 completed lactations of cows identified at Generation Count 4 and higher, standardized to 305 days, 2x, mature equivalent production. The breed average for cheese yield was 2,508 pounds—also setting a new record.

To put this into perspective, it has just been three years since the AJCA lactation average reached 19,000 lbs. milk. For the five most recent years *(2012-2016)*, production gains have taken a marked trajectory upwards. Milk yield is now increasing at an annual rate of 294 lbs. versus the 10-year trend of 205 lbs. per year. Fat production is increasing at a rate of 17.2 lbs. (vs. 15.7) and protein at 11.7 lbs. (vs. 9.4).

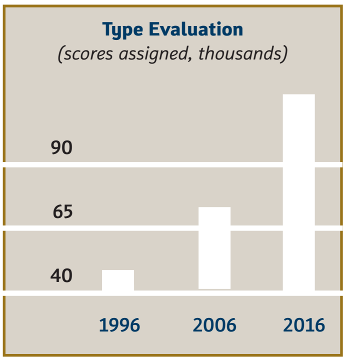
To drive home the point about just how competitive Jerseys are today, consider this. The actual 305-day production of those cows averaged 17,659 lbs. milk at 4.9% fat and 3.65% protein, equivalent to 21,833 lbs. milk on an energy-corrected basis.



Breed growth continued. Demand was strong.

Jersey numbers continued to increase within a dairy cattle population that has been a fairly constant size for two-plus decades. For the eighteenth time in 20 years, and every year since the 2009 great recession, the domestic market share for Jersey semen sales went up, reaching a new high at 13.0% in 2016. We estimate that at least 12% of the U.S. cow population is Jersey and Jersey-sired, which translates to well over one million cows nationally.

The demand for good quality Jerseys and Jersey genetics was very strong in 2016, as evidenced by the outstanding prices reported in the *Jersey Journal* from public sales around the country. In 2016, the average price of Registered Jerseys™ sold at auction was $2,488.78. That average is third in history, just behind those posted for 2015 ($2,691.44) and 2014 ($2,686.71). New records were set for a single-sale average (Kueffner Kows Sale, $12,529.86) and high selling bull (River Valley Circus Craze-ET, $165,500).



Use of AJCA programs and services remained at high levels.

Registrations are a key measure of Jersey owners' confidence in the value of information maintained by the association, as well as the foundation for organizational growth.

The AJCA recorded 111,409 animals for 5,124 different owners in 2016. That ranks fourth in our 149-year history. It was also the fifth consecutive year over 100,000 registrations, an unprecedented level of activity.

For the year, 68% of calves registered were identified by double-matched approved eartags, 80% of applications were processed electronically, and 87% of registrations originated from REAP-enrolled herds. JerseyTag sales set a record at 431,753 units, a

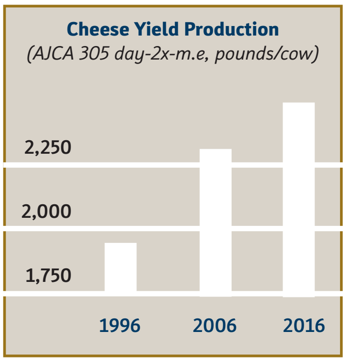
49% increase in orders over 2015.

Ownership transfers rebounded to 28,536, the second highest total recorded in the most recent decade. The volume-based fee structure for REAP herds implemented in 2014 had clear effect in driving 2016 transfers, creating a bright picture for sustained registration activity in the years to come.

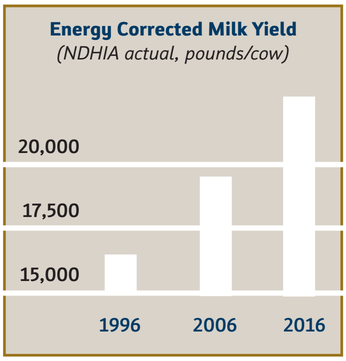
On December 31, 167,301 cows in 1,115 herds were enrolled in performance evaluation programs, a small drop from the record of 169,913 cows set in 2015. REAP enrollment was 160,558 cows, second-best in program history. The average REAP herd size was 165 cows.

For the fourth time, more than 100,000 cows were scored under the linear type traits appraisal program. 2016's tally of 116,925 cows ranks second only to the record of 119,545 set in 2015. All traits, and most importantly for udder depth, showed positive genetic trend.

From a mere 2,190 animals—practically all of them males—in the first official genomic evaluation release *(January 2009)*, the Jersey genomic database has increased to 168,325 genotypes seven years later. Genomics has had profound effects on Jersey breed improvement. Selection pressure continues to intensify for production, fitness and longevity, and functional type, even as the A.I. organizations increase the number of bulls being marketed to supply growing demand. For the December 2016 valuations, 121 Active A.I. bulls (U.S.) averaged 353 CM$ and 127 for Jersey Performance Index™ (JPI). The group of 361 genomic-evaluated bulls without daughters on the same summary averaged 472 CM$ and 173 JPI, a difference of $119 and 46 JPI points.



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



Energy Corrected Milk Yield
(NDHIA actual, pounds/cow)

Animal ID was modernized for greater accuracy and transparency.

After months of study and discussion, the Board of Directors adopted a Generation Count structure to record animals based on *the depth of known and recorded Jersey ancestry*. Generation Count replaced both the Genetic Recovery program that was started in 1975 to record animals that exhibit Jersey characteristics but were missing pedigree, and Jersey Expansion, introduced in 1999 to record animals with a known and AJCA-recorded Jersey parent and a parent of another breed.

The implementation of Generation Count recording in May was followed on June 7 by publication of Breed Base Representation (BBR) values, a genomic measure of an animal's relationship to the Jersey breed reference group. Then in early 2017, the JX prefix was put into place to designate animals that have an ancestor of another breed within six (6) generations.

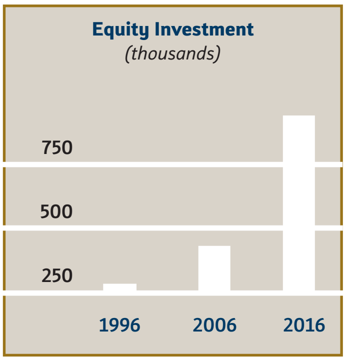
The Board also instituted new requirements for recording bulls that have fewer than seven generations of AJCA-recorded ancestry. The minimum Generation Count for recording males was set at three generations. All bulls with a Generation Count must be genotyped along with both parents and have a BBR of 87 or higher.

These changes have increased accuracy of pedigree information for animals recorded in the AJCA database and improved transparency in the reporting of this information.

We delivered the information you need and the news you want.

The infoJersey service hub added new tools and became more mobile friendly. The JerseyTags Store opened for online ordering in April, followed by a complete reworking of HerdView in the second half of the year. HerdView now has a fresh graphic interface complete with dashboards that compare herd to breed averages by birth year, a set of must-have reports, and powerful select-and-sort functions for customizing reports.

The *Jersey Journal* delivered news about the Jersey business and people each and every month, both to the mailbox and online. A total of 1,032 pages were printed, reporting on sales, shows, and meetings, plus informative feature stories, round-table articles and breeder profiles, supported by 447 advertising pages.



Management Team

Accounting
Vickie J. White, Treasurer

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

Development
Cherie L. Bayer, Ph.D.

Field Service
Kristin Paul

Information Technology
Lee Morgan

Jersey Journal
Kimberly A. Billman

Research and Genetic Development
Cari W. Wolfe

Jersey Marketing Service
Greg Lavan

We celebrated 40 years of Equity, with work still ahead.

An entire evening at the 2016 Annual Meetings in California was given over to celebrating Project Equity, without question the greatest program ever undertaken by a breed organization on behalf of its membership and industry. As NAJ General Manager Erick Metzger said that evening:

> *"The single greatest testament that Equity was right for the dairy industry is this fact. There isn't a single regulated milk pricing system that adopted component pricing that later reverted back to fat-skim. Not once did they throw it out once they started it. If that's not a track record of success, I don't know what is."*

Equity continues to be the most important thing we do to chart the course for profitability and breed growth, and the work will continue until 100% of Jersey producers are paid full value for their milk. NAJ remains engaged in the ongoing process to implement a Federal Milk Marketing Order in the state of California. The Recommended Decision handed down in early February, 2017 is for it to operate as a multiple component pricing (MCP) order. Market development work continues on many other fronts, including MCP for producers in the southeastern U.S. and research on potential value-added features of Jersey milk.

Direct financial support for Equity in 2016 was $898,207 from 1,042 members. Since 1976, $13,845,893 has been invested and returned many times over through fair milk pricing and increased demand for Jersey cattle from across the U.S.

Jersey Marketing Service posted a Top 10 year.

Although low milk prices dampened the market, 2016 was the eighth-best year in history for Jersey Marketing Service, a wholly owned subsidiary of National All-Jersey Inc. Total sales management was $8,683,368. JMS managed 26 public sales, with 2,832 live animals averaging $1,745.60. At private treaty, 2,345 animals averaging $1,581.93 were moved from 69 sellers to 48 buyers located in 18 states. The 64th All American Jersey Sale was the third-high auction sale of 2016, averaging $7,874.52 on 52 lots.

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 $145,839 for the year ended December 31, with total (combined) Net Assets of $3,834,138. For the first time since it was created in 1967, the AJCC Research Foundation held net assets in excess of two million dollars: $2,105,592 at year-end 2016.

"If everyone is moving forward together, then success takes care of itself."

The milestones and changes of 2016 are behind us. It is time to move forward and confront these questions:

Do our policies, programs and services encourage and support the development of a more efficient Jersey cow?

Are we improving her fast enough so that commercial dairymen continue to regard the Jersey cow as the profitable choice for their businesses?

Do our marketing programs increase the value of and demand for Jersey milk, Jersey cattle and Jersey genetics?

Are we progressive minded enough to achieve our goal of changing the color of the dairy industry?

I believe in the words of American visionary Henry Ford quoted above, and am confident that we will address those questions to move forward, together, towards success.

Neal Smith
Executive Secretary and Chief Executive Officer

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

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

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

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

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

1869 First Herd Register published and Constitution adopted.

1872 First Scale of Points for evaluating type adopted.

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

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

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

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

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

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

1927 Jersey Creamline milk program established and copyrighted.

1928 Herd Improvement Registry (HIR) testing adopted.

1929 Tattooing required of all Jerseys to be registered.

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

1933 Female registration number 1000000 issued.

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

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

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

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

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

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

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

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

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

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

1957 National All-Jersey Inc. organized.

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

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

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

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

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

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

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

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

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

1974 Genetic Recovery program approved by membership.

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

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

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

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

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

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

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

1985 First breeder-directed regional young sire proving group, Dixieland Jersey Sires, Inc., organized.

1986 Jersey Mating Program implemented.

1987 For first time, 50,000 cows enrolled on performance programs. Campaign beings to increase AJCC Research Foundation endowment to $1 million. The largest All

American Jersey Show in history is completed, with 617 head exhibited.

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

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

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

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

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

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

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

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

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

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

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

2000 Official production average exceeds 17,000 pounds for first time, with 57,170 records averaging 17,680 lbs. milk, 807 lbs. fat and 644 lbs. protein. First 40,000-lb. milk and 1,500-lb. protein record (Greenridge Berretta Accent).

2001 The 5-millionth animal is registered. Equity's 25 years celebrated and the 171 Charter Investors recognized. Performance program enrollments exceed 100,000 for the first time. JerseyMate™ is introduced.

2002 DHIR lactation average increases to 18,039 lbs. milk, 823 lbs. fat and 641 lbs. protein. Rules are expanded to allow use of approved eartags for registration ID. Jersey Performance Index™ implemented, with 70% emphasis on production and 30% on fitness traits. The All American Jersey Show & Sale celebrates 50th anniversary, and All American Junior Show largest in history with 333 head.

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

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

2005 The 95 heifers donated to the National Heifer Sale average $3,626.11, with proceeds to the AJCC Research Foundation and national Jersey youth programs. REAP program completes first decade with record 108,786 cows in 728 herds. Royalties paid to five regional young sire groups since inception tops $1 million.

2006 USDA-AIPL revision of Productive Life evaluations shows Jerseys have 183-day advantage over industry average. 2010 goal of 90,000 registrations adopted.

2007 First 2,500-lb. fat record (Norse Star Hallmark Bootie). Mainstream Jerseys becomes first Jersey herd to average over 30,000 lbs. milk per cow. Jersey Marketing Service posts best year in its history with gross sales of $13,089,073. Commercial genotyping test (Illumina BovineSNP50 chip) released. Jersey Udder Index™ implemented.

2008 Registrations exceed 90,000 for first time. Equity membership grows to record of 1,135. Queen of Quality® brand program introduced to complement All-Jersey® fluid milk marketing program. First 50,000-lb. milk and 1,750-lb. protein record (Mainstream Barkly Jubilee). JerseyLink™ is introduced.

2009 Registrations of 95,557 set all-time record. Genomic evaluations become official. First North American Jersey Cheese Awards conducted. Inaugural class of Jersey Youth Academy.

2010 Combined domestic–export Jersey semen sales exceed 3 million units for first time in history. First-generation low-density genomic test released. Pot O'Gold Sale is first auction of any breed featuring entirely genotyped offering. Ratliff Price Alicia is first cow selected National Grand Champion for three consecutive years. NAJ-funded and peer-reviewed research determines that the carbon footprint from production of Jersey milk is 20% less than that of Holsteins, measured per unit of cheese yield.

2011 Registrations of 96,174 break all-time record (2009). Fundraising goal exceeded as 73 donated heifers drive Vision Gift campaign for Jersey Youth Academy. Domestic Jersey semen sales exceed 2 million units for first time in history.

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

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

2014 Through 40 years of Genetic Recovery, 508,112 females recorded, 19.5% of all registrations. Jersey Performance Index™ is revised with weights of 58% production, 20% udder health, 11% herd life and 11% fertility. Records established for series average at National Heifer Sale ($6,555.88) and The All American Sale ($11,972.78).

2015 New records set for registrations (122,701), all performance programs enrollment (169,913 cows), REAP enrollment (164,118 cows, 986 herds) and linear type evaluation (119,545 scores). All-time records established for lifetime fat and protein production (Mainstream Jace Shelly). Domestic semen sales exceed 3 million units for first time. U.S. Jersey auction sales average of $2,691.44 sets all-time record.

2016 Official breed average increases to 20,139 lbs. milk, 975 lbs. fat, and 737 lbs. protein, 2,508 lbs. cheese yield, on 110,175 lactations. Genetic Recovery and Jersey Expansion programs retired and replaced by Generation Count recording system. Equity's 40th anniversary celebrated; total program investment reaches $13,845,893. Domestic market share for semen sales increases to 13.0%. All-time record set for lifetime milk production (Mainstream Jace Shelly).

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 $145,839 for the year ended December 31, 2016.

American Jersey Cattle Association

Revenues	$3,741,094
Expenditures	$ 3,714,627
Net Income from Operations (Before All American and Other Income and Expense)	$ 26,467

National All-Jersey Inc. and Subsidiary

Revenues	$ 1,321,153
Expenditures	$ 1,201,781
Net Income from Operations (Before Other Income and Expense)	$ 119,372

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

Identification Services	43%
Performance Services	17%
Equity	17%
Jersey Journal	8%
Cattle Marketing Services	6%
Other	9%

The organizations' marketable securities are reported at market value of $2,045,357. Due to the increase in market values compared to 2015, an unrealized gain was recorded at December 31, 2016 to reflect the variance in cost versus fair market value of the companies' investments.

The companies reported net assets at December 31, 2016 of:

American Jersey Cattle Association	$ 2,453,733
National All-Jersey Inc. and Subsidiary	$1,380,405
Total (combined) Net Assets	$ 3,834,138

The AJCC Research Foundation reported net assets of $2,105,592 at year-end December 31, 2016. The Research Foundation supported six (6) projects totaling $40,414. The scholarship funds administered by the AJCA awarded twelve (12) scholarships totaling $26,100. Total combined net assets in the scholarship funds as of December 31, 2016 were $500,856. Net assets held in the Jersey Youth Academy Fund at December 31, 2016 were $506,906.

We encourage the membership to review the financial statements and accompanying footnotes prepared by our certified public accounting firm, Clark, Schaefer, Hackett & Co. These statements clearly state the financial position of the companies at December 31, 2016 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

Report on the Financial Statements

We have audited the accompanying financial statements of American Jersey Cattle Association which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Jersey Cattle Association as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.
Columbus, Ohio
April 5, 2017

AMERICAN JERSEY CATTLE ASSOCIATION

Statements of Financial Position • Statements of Activities

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	**$ 556,546**	$ 584,849
Investments	**277,644**	264,107
Accounts receivable, net	**396 593**	416,368
Advances due from National All-Jersey Inc. and All-Jersey Sales Corporation	**706,833**	637,564
Supplies and inventories	**25,440**	20,995
Prepaid expenses and other assets	**85,598**	89,867
Total current assets	**2,048,654**	2,013,750
PROPERTY AND EQUIPMENT		
Land	**68,000**	68,000
Building	**494,448**	494,448
Operating equipment	**1,709,014**	1,721,357
Software development	**135,953**	135,953
	2,407,415	2,419,758
Less accumulated depreciation and amortization	**(2,072,039)**	(1,982,353)
Total property and equipment, net	**335,376**	437,405
OTHER ASSETS		
Investments	**1,210,839**	1,151,421
Total other assets	**1,210,839**	1,151,421
	$ 3,594,869	$ 3,602,576
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of capital lease obligations	**$ 1,056**	$ 2,122
Current portion of unexpired subscriptions and directory listings	**16,113**	29,512
Current portion of note payable	**74,582**	71,798
Accounts payable	**225,418**	163,570
Accrued expenses	**97,132**	82,035
Awards, The All American Show & Sale	**71,972**	69,728
Awards, National Jersey Jug Futurity	**11,443**	12,826
Unearned fees and remittances	**411,168**	477,446
Total current liabilities	**908,884**	909,037
NONCURRENT LIABILITIES		
Capital lease obligations, net of current portion	**–**	1,045
Unexpired subscriptions and directory listings, net of current portion	**33,234**	35,608
Note payable, net of current portion	**199,018**	273,391
	232,252	310,044
Total liabilities	**1,141,136**	1,219,081
NET ASSETS		
Unrestricted:		
Designated	**1,396,760**	1,318,240
Undesignated	**1,056,973**	1,065,255
Total net assets	**2,453,733**	2,383,495
	$ 3,594,869	$ 3,602,576

See Notes to the Financial Statements.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	2016	2015
REVENUES		
Fees	**$ 3,227,692**	$ 3,131,498
Jersey Journal advertising and subscriptions	**442,863**	500,478
Interest and dividend income	**36,028**	44,779
Other	**34,511**	38,603
Total revenues	**3,741,094**	3,715,358
COST OF OPERATIONS		
Salaries, service, and administrative	**3,136,084**	2,997,670
Jersey Journal publishing	**428,338**	420,925
Depreciation and amortization	**138,095**	145,569
Interest expense	**12,110**	7,039
Total cost of operations	**3,714,627**	3,571,203
INCREASE IN NET ASSETS FROM OPERATIONS	**26,467**	144,155
OTHER INCOME (EXPENSE)		
Net gain (loss) from The All American Show and Sale	**(18,288)**	(8,808)
Net realized and unrealized gain (loss) on investments	**8,539**	(15,997)
Net periodic pension income (expense)	**–**	38,756
Total other income (expense)	**(9,749)**	13,951
Board authorized appropriation from Undesignated to Designated	**(25,000)**	(50,000)
CHANGE IN UNDESIGNATED NET ASSETS	**(8,282)**	108,106
EXPENDITURES AND TRANSFERS TO DESIGNATED NET ASSETS		
Research and development expenses	**(5,898)**	(8,651)
Net realized and unrealized gain (loss) on investments	**59,418**	(50,040)
Board authorized appropriation from Undesignated to Designated	**25,000**	50,000
Expenditures and transfers to Designated net assets	**78,520**	(8,691)
CHANGE IN NET ASSETS	**70,238**	99,415
NET ASSETS, beginning	**2,383,495**	2,284,080
NET ASSETS, ending	**$ 2,453,733**	$ 2,383,495

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

Basis of presentation. The financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC). The Association is required to report information regarding its financial position, and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated assets for a building fund and research and development which totaled $1,210,839 and $185,921 for 2016 and $1,151,421 and $166,819 for 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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 which approximates fair value. Mutual funds are carried at fair value on the statements of financial position, with the change in fair value included in the statements of activities.

Revenue recognition. Revenues for services provided to members are recognized in the period in which the services are performed. Subscription and directory listing revenues are recognized in the period earned.

Accounts receivable. AJCA extends unsecured credit to members under normal terms. Unpaid balances begin accruing interest 30 days after the invoice date at a rate of 1 ½% per month. Payments are applied first to the oldest unpaid invoice. Accounts receivable are presented at the amount billed plus any accrued and unpaid interest. Management estimates an allowance for doubtful accounts, which was $64,000 and $62,000 as of December 31, 2016 and 2015, 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 $9,343 and $15,140 was recognized for the years ended December 31, 2016 and 2015, respectively, as a result of this estimate. Specific accounts are charged directly to the reserve when management obtains evidence of a member's insolvency or otherwise determines that the account is uncollectible.

Valuation of long-lived assets. The Association reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There were no impaired losses recognized in 2016 or 2015.

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 2016 and 2015, these activities include primarily magazine advertising. Income tax expense for 2016 and 2015 totaled $-0- and $4,562, respectively.

The Association follows ASC guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Association has not recorded a reserve for any tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Examples of tax positions include the tax-exempt status of the Association, and various positions related to the potential sources of unrelated business taxable income (UBIT). The Company files tax returns in all appropriate jurisdictions. For the years ended December 31, 2016 and 2015, management has determined that there are no material uncertain tax positions. The Association files Forms 990 and 990T in the U.S. federal jurisdiction.

Concentrations of credit risk. The Association maintains its demand deposits and temporary cash investments with one financial institution. Balances may at times exceed federally insured limits. Cash equivalents and investments are maintained in trust accounts with a trust company. The Association continually monitors its balances to minimize the risk of loss.

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

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

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

Class of Assets	Useful Lives
Building	31½ years
Operating equipment	3–10 years
Software development	3 years

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

Affiliated company. AJCA is affiliated with National All-Jersey Inc. (NAJ) and its wholly-owned subsidiary, All-Jersey Sales Corporation (AJSC). These entities conduct operations from the same facility and have certain common directors, officers, and staff. Therefore, it is necessary to allocate jointly incurred expenses, such as salaries, rents, utilities, depreciation, and other costs of service and administration. The costs of operations reflected in the Statements of Activities of AJCA are net of reimbursements of $266,884 and $260,292 for 2016 and 2015, respectively, from the above-mentioned affiliated companies for these jointly incurred costs.

AJSC has a $175,000 line of credit which is collateralized by investments held by AJCA and NAJ. No funds were drawn on these lines of credit as of December 31, 2016 and 2015.

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

Supplies and inventories. Supplies and inventories consist of office supplies, promotional items available for sale, and tags which are valued at the lower of cost or market.

Advertising. The Association's advertising efforts are associated with nondirect-response programs. The costs are expensed in the period of the related advertisement. The Association expensed $8,124 and $6,816 for the years ended December 31, 2016 and 2015, respectively.

Functional allocation of expenses. The costs of providing programs and activities have been summarized on a functional basis in Note 2. Accordingly, certain costs have been allocated among the programs and activities benefited.

Subsequent events. The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements and related disclosures consider events through April 5, 2017, 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:

	2016	2015
Records	$1,246,890	$1,189,440
Data processing	429,031	416,982
Performance	669,811	684,497
Jersey Journal	429,940	420,925
Information	126,809	115,167
Field	569,305	508,250
Accounting, administration, and general	242,841	197,186
Total cost of operations	$ 3,714,627	$ 3,532,447

Note 3. Pension Plans

Effective December 31, 2002, the Board of Directors of AJCA froze the Defined Benefit Pension Plan (Plan). In March 2014, the Board of Directors authorized the Association to terminate the Plan. The Association received a favorable ruling from the Internal Revenue Service in March 2015. AJCA terminated the Plan in 2015 with plan assets disbursed to participants. The Plan was non-contributory and covered substantially all employees 21 years of age or older hired prior to January 1, 2003, who had been employed for one year with at least 1,000 hours of service. AJCA's funding policy was to contribute such amounts as were required on an actuarial basis to provide the Plan with sufficient assets to meet the benefits payable to Plan participants. Additionally, in 2015, AJCA was notified by Pension Benefit Guaranty Corporation ("PBGC") that the Plan was selected for audit. AJCA has been notified by PBGC that the audit was closed with no adjustments.

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

	2015
Pension benefit obligation	
Balance, beginning of year	$ 2,116,713
Interest cost	20,195
Actuarial loss (gain)	(86,683)
Benefits paid	(2,050,225)
Balance, end of year	–
Plan Assets	
Fair value, beginning of year	1,596,981
Actual returns on Plan assets	(13,484)
Employer contributions	466,728
Benefits paid	(2,050,225)
Fair value, end of year	–
Accrued pension obligation	$ –

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

	2015
Interest cost	$ 20,195
Actual return on Plan assets	13,484
Actuarial loss (gain)	(86,683)
Total pension expense	(53,004)
Less pension expense of NAJ and Subsidiary	14,248
Pension expense of AJCA	$ (38,756)

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 2016 and 2015 amounted to $27,275 and $24,308, respectively.

Note 4. Designation of Net Assets

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

	2016	2015
Building - established with original proceeds from sale of former operating facility; invested in securities *(see Note 9)*	$ 1,210,839	$ 1,151,421
Research and development - increased annually on a discretionary basis	185,921	166,819
	$ 1,396,760	$ 1,318,240

In 2016 and 2015, there were expenditures of $5,898 and $8,651, respectively, from the research and development designated net assets. In 2016 and 2015, the Board of Directors authorized and appropriation from undesignated to research and development of $25,000 and $50,000, respectively.

Note 5. Lines of Credit

At December 31, 2016 and 2015, the Association has available a $100,000 line of credit due on demand with interest payable monthly at prime (3.75% and 3.50% at December 31, 2016 and 2015, respectively). The line of credit is secured by investments held by AJCA. No funds were drawn on the line of credit as of December 31, 2016 or 2015.

At December 31, 2016 and 2015, AJSC has available a $175,000 line of credit due on demand with interest payable monthly at prime. The line is collateralized by investments held by AJCA and NAJ *(Note 8)*. No funds were drawn on the line of credit as of December 31, 2016 and 2015.

Note 6. Note Payable

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

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

Years Ending:	2017	$ 74,582
	2018	77,473
	2019	80,477
	2020	41,068
		$ 273,600

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

Note 7. Lease Commitments

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

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

	2016	2015
Operating equipment	$ 10,558	$ 10,558
Less accumulated amortization	(9,326)	(7,215)
	$ 1,232	$ 3,343

The Company pays monthly capital lease payments of $882 for the lease expiring in 2017. Minimum future annual lease payments under the capital lease as of December 31, 2016 are as follows:

Years Ending:	2017	$ 1,056
		1,056
Less amount representing interest		–
Present value of minimum lease payments		1,056
Less current portion		(1,056)
Noncurrent portion		$ –

Operating Lease Obligations. In 2013, the Company entered into a lease for equipment under an operating lease. The lease expires in 2018. Lease expense for the years ended December 31, 2016 and 2015 totaled $27,703.

Future minimum lease payments for each of the next two years as of December 31, 2016 are as follows:

Years Ending:	2017	$ 27,703
	2018	20,778
		$ 48,481

Note 8. Investments

Investments consist of the following as of December 31:

	2016	2015
Money market	$ 34,051	$ 31,365
Mutual funds	1,454,432	1,384,163
	$1,488,483	$ 1,415,528

Total investment income consists of the following as of December 31:

	2016	2015
Interest and dividend income	$ 38,324	$ 47,633
Net realized and unrealized gain (loss) on investments	72,955	(70,246)
	$ 111,279	$ (22,613)

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

	2016	2015
Interest and dividend income	$ 2,296	$ 2,854
Net realized and unrealized gain (loss) on investments	4,998	(4,209)
	$ 7,294	$ (1,355)

Note 9. Fair Value Measurements

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities. The ASC established a framework for measuring fair value, established a three-level valuation hierarchy for disclosure of fair value measurement and enhanced disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The Association uses various valuation approaches, including market, income and/or cost approaches. The framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Association. Unobservable inputs are inputs that reflect the Association's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value:

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

The following tables set forth by level within the fair value hierarchy the Association's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2016 and 2015. 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, 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	–	–
Alternative investments	46,008	46,008		
Total Assets	$ 1,454,432	$ 1,454,432	$ –	$ –

December 31, 2015

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

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National All-Jersey Inc. and Subsidiary which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National All-Jersey Inc. and Subsidiary as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.
Columbus, Ohio
April 5, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,169,728**	$ 1,072,307
Custodial cash	**419,960**	331,062
Investments	**556,874**	529,724
Accounts receivable, net	**429,303**	160,068
Prepaid expenses	**3,818**	104
Total current assets	**2,579,683**	2,093,265
PROPERTY AND EQUIPMENT		
Land	**12,000**	12,000
Building	**87,256**	87,256
Furniture and equipment	**18,936**	18,372
Vehicles	**124,091**	119,286
	242,283	236,914
Less accumulated depreciation and amortization	**(173,431)**	(164,134)
Total property and equipment, net	**68,852**	72,780
	$ 2,648,535	$ 2,166,045
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 5,552**	$ 19,932
Advances due to American Jersey Cattle Association	**706,832**	637,565
Fees due consignors	**418,167**	124,686
Accrued expenses	**14,550**	21,414
Accrued payroll and related benefits	**29,771**	35,469
Advances and reserves for advertising	**31,828**	31,828
Deferred income	**61,430**	56,444
Total current liabilities	**1,268,130**	927,338
NET ASSETS		
Unrestricted:		
Designated	**294,648**	199,472
Undesignated	**1,085,757**	1,039,235
Total net assets	**1,380,405**	1,238,707
	$ 2,648,535	$ 2,166,045

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	2016	2015
REVENUES		
Equity project fees	**$ 898,207**	$ 873,301
Commissions	**377,843**	378,584
Interest and dividend income	**14,377**	17,858
Other	**30,726**	34,334
Total revenues	**1,321,153**	1,304,077
COST OF OPERATIONS		
Salaries, service, and administrative	**1,056,102**	961,725
Field services	**116,224**	109,530
Bad debt expense (recovery)	**3,599**	(3,798)
Depreciation and amortization	**25,856**	27,480
Total costs of operations	**1,201,781**	1,094,937
CHANGE IN NET ASSETS FROM OPERATIONS	**119,372**	209,140
OTHER INCOME (EXPENSE)		
Net realized and unrealized gain (loss) on investments	**27,150**	(26,277)
Pension income (expense)	**–**	14,248
Total other income (expense)	**27,150**	(12,029)
Board authorized appropriation from Undesignated to Designated	**(100,000)**	(50,000)
CHANGE IN NET ASSETS BEFORE EXPENDITURES FROM DESIGNATED NET ASSETS	**46,522**	147,111
EXPENDITURES AND TRANSFERS TO DESIGNATED NET ASSETS		
Research and development	**(4,824)**	(7,213)
Board authorized appropriation from Undesignated to Designated	**100,000**	50,000
Total expenditures from Designated net assets	**95,176**	42,787
CHANGE IN NET ASSETS	**141,698**	189,898
NET ASSETS, beginning	**1,238,707**	1,048,809
NET ASSETS, ending	**$1,380,405**	$ 1,238,707

See Notes to the Consolidated Financial Statements.

Statements of Cash Flows have not been included with these reports. A copy is available upon request.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of business. National All-Jersey Inc. (NAJ) (the "Company") was incorporated in the State of Ohio in 1957. Its purpose is to promote the increased production and sale of Jersey milk and milk products, and to promote Jersey cattle and the interests of breeders of Jersey cattle.

All-Jersey Sales Corporation (AJSC) (Subsidiary), a wholly-owned subsidiary of National All-Jersey Inc. was incorporated in the State of Ohio in 1961. It is a for-profit corporation with the original purpose of developing and selling All-Jersey milk advertising materials. In 1970, the corporation started a cattle marketing service, Jersey Marketing Service (JMS). The purpose of Jersey Marketing Service is to provide marketing assistance to buyers and sellers of Jersey cattle and embryos.

The objectives of both National All-Jersey Inc. and All-Jersey Sales Corporation are to increase the value of and demand for Jersey milk and cattle.

Principles of consolidation. The consolidated financial statements include the accounts of NAJ and its wholly-owned subsidiary, AJSC. All significant intercompany accounts and transactions have been eliminated.

Basis of accounting. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States.

Basis of presentation. The consolidated financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC). The Company is required to report information regarding its financial position, and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated assets for research and development which totaled $294,648 and $199,472 for 2016 and 2015, respectively. In 2016 and 2015, the Board of Directors authorized an additional $100,000 and $50,000, respectively, 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, 2016 and 2015, 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, 2016 and 2015, there were no permanently restricted net assets.

Use of estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

Accounts receivable. JMS extends credit to buyers of cattle at public auction sales. JMS typically does not pay sellers of cattle until collection from buyers has occurred for dispersal auction sales, per the sales contract. JMS typically guarantees payment to consignors of public consignment auction sales based on the selling price of the consignment. Accounts receivable are reflected at their billed amount. Management estimated an allowance for doubtful accounts which was $10,000 and $15,000 as of December 31, 2016 and 2015, respectively. Bad debt expense (recovery) of $3,599 and ($3,798) was recognized for 2016 and 2015, 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 2016 and 2015 include reimbursements of $266,884 and $260,292, respectively, paid to the Association for these jointly incurred costs.

Valuation of long-lived assets. The Company reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There were no impairment losses recognized in 2016 and 2015.

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, 2016 and 2015, management has determined that there are no material uncertain tax positions.

Concentration of credit risk. The Company maintains its demand deposits and temporary cash investments with one financial institution. Balances may at times exceed federally insured limits. Cash equivalents and investments are maintained in trust accounts with a trust company. The Company continually monitors its balances to minimize the risk of loss.

The Company's cattle sales are primarily to domestic buyers. The Company minimizes credit risk with foreign buyers by requiring irrevocable letters of credit or cash upon sale until they have established a business relationship and understanding with the buyer.

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

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

Class of Assets	Useful Lives
Building	31½ years
Furniture and equipment	10 years
Vehicles	3–5 years

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

Advertising. The Company's advertising efforts are associated with nondirect-response programs. The costs are expensed in the period of the related advertisement. The Company expensed $4,494 and $17,184 for the years ended December 31, 2016 and 2015, respectively.

Functional allocation of expenses. The costs of providing programs and activities have been summarized on a functional basis in Note 2. Accordingly, certain costs have been allocated among the programs and activities benefited.

Subsequent events. The Company evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying consolidated financial statements and related disclosures consider events through April 5, 2017, 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:

	2016	2015
National All-Jersey Equity program	$ 517,310	$ 458,787
Accounting, administration, general and field service	272,947	270,603
All-Jersey Sales (JMS)	411,524	351,299
Research and development	4,824	7,213
Total cost of operations and pension expense	$1,206,605	$1,087,902

Note 3. Advances and Reserves for Advertising

	December 31, 2016	December 31, 2015
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 met the eligibility requirements were included in the American Jersey Cattle Association Pension Plan (Plan), a related party. Effective December 31, 2002, the Board of Directors of AJCA froze the Plan. In March 2014, the Board of Directors authorized the Association to terminate the Plan. The Plan covered substantially all employees 21 years of age or older hired prior to January 1, 2003, who had been employed for one year with at least 1,000 hours of service. AJCA received a favorable determination letter from the Internal Revenue Service in March 2015 to terminate the Plan and the plan was terminated. Additionally, in 2015, AJCA was notified by Pension Benefit Guaranty Corporation ("PBGC") that the Plan was selected for audit. AJCA has been notified by PBGC that the audit was closed with no adjustments.

The Plan was 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 year ended December 31, 2015, NAJ has included on its statement of activities pension plan income of $14,248.

The accrued pension obligation was payable to AJCA and was paid in full in 2015.

The Company maintains a 401(k) plan covering substantially all employees, who have been employed for one year with at least 1,000 hours of service. The plan allows for a matching contribution of 25% of employees' contributions up to a maximum contribution of 15% of salary. Matching contributions for 2016 and 2015 amounted to $6,201 and $6,272, respectively.

Note 5. Designation of Net Assets

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

	2016	2015
Research and development: Increased annually on a discretionary basis, $100,000 and 50,000 for years ended December 31, 2016 and 2015, respectively. In 2016 and 2015, there were expenditures of $4,824 and $7,213, respectively, from the research and development designated net assets.	$294,648	$ 199,472

Note 6. Income Taxes

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax reporting purposes in different periods. Deferred taxes are classified as current or long-term, depending on the classification of the assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or long-term depending on the periods in which the temporary differences are expected to reverse.

Net deferred tax assets in the accompanying balance sheet include the following components at December 31:

Deferred Tax Assets	2016	2015
Provision for doubtful accounts	$ 1,700	$ 2,600
Net operating loss	110,900	105,100
Gross deferred tax assets	112,600	107,700
Less valuation allowance	(112,600)	(107,700)
Net deferred tax assets	$ –	$ –

For the year ended December 31, 2016, AJSC incurred net operating loss and the future deductible net operating loss carry forward was increased. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2016, the Company had approximately $652,000 of federal net operating losses. The net operating loss carry forwards, if not utilized, will begin to expire in 2029.

Note 7. Lines of Credit

At December 31, 2016 and 2015, AJSC has available a $175,000, due on demand, line of credit with interest payable monthly at prime (3.75% and 3.50% at December 31, 2016 and 2015, 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, 2016 and 2015.

Note 8. Investments

Investments consisted of the following at December 31:

	2016	2015
Money market	$ 12,738	$ 11,745
Mutual funds	544,136	517,979
	$ 556,874	$ 529,724

Investment income consists of the following:

	2016	2015
Interest and dividend income	$ 14,377	$ 17,858
Net realized and unrealized gain (loss) on investments	27,150	(26,277)
	$ 41,527	$ (8,419)

Note 9. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. The ASC established a framework for measuring fair value, established a three-level valuation hierarchy for disclosure of fair value measurement and enhanced disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The Company uses various valuation approaches, including market, income and/or cost approaches. The framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value:

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

The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2016 and 2015. 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, 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	–	–
Alternative investments	17,213	17,213		
Total Assets	$ 544,136	$ 544,136	$ –	$ –

December 31, 2015

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

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

LEADING INDICATORS OF JERSEY BREED GROWTH AND IMPROVEMENT

	2016	2006	1996	Change ('16 v. '96)
Identification				
Animals recorded	111,409	71,253	54,426	104.7%
Animals transferred	28,536	19,110	24,402	16.9%
Performance Programs				
Herds enrolled	1,115	1,059	823	35.5%
Cows enrolled	167,301	109,702	72,363	131.2%
Production *(AJCA lactations, 305-day, 2x, ME)*				
Protein, true *(*reported as total protein)*	737	651	591*	31.6%
Milk	20,139	18,337	16,051	25.5%
Fat	975	838	737	32.3%
Equity Investment	$ 898,207	$ 472,728	$ 252,070	256.3%
Jersey Marketing Service				
Gross for private treaty sales	$3,711,465	$3,530,506	$2,713,998	36.8%
Gross for public sales	$4,971,904	$5,704,301	$3,963,321	25.4%
Combined Net Assets	$3,834,138	$2,503,454	$2,141,062	79.1%

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