

**ANGUS**

THE BUSINESS BREED

**ANGUS**

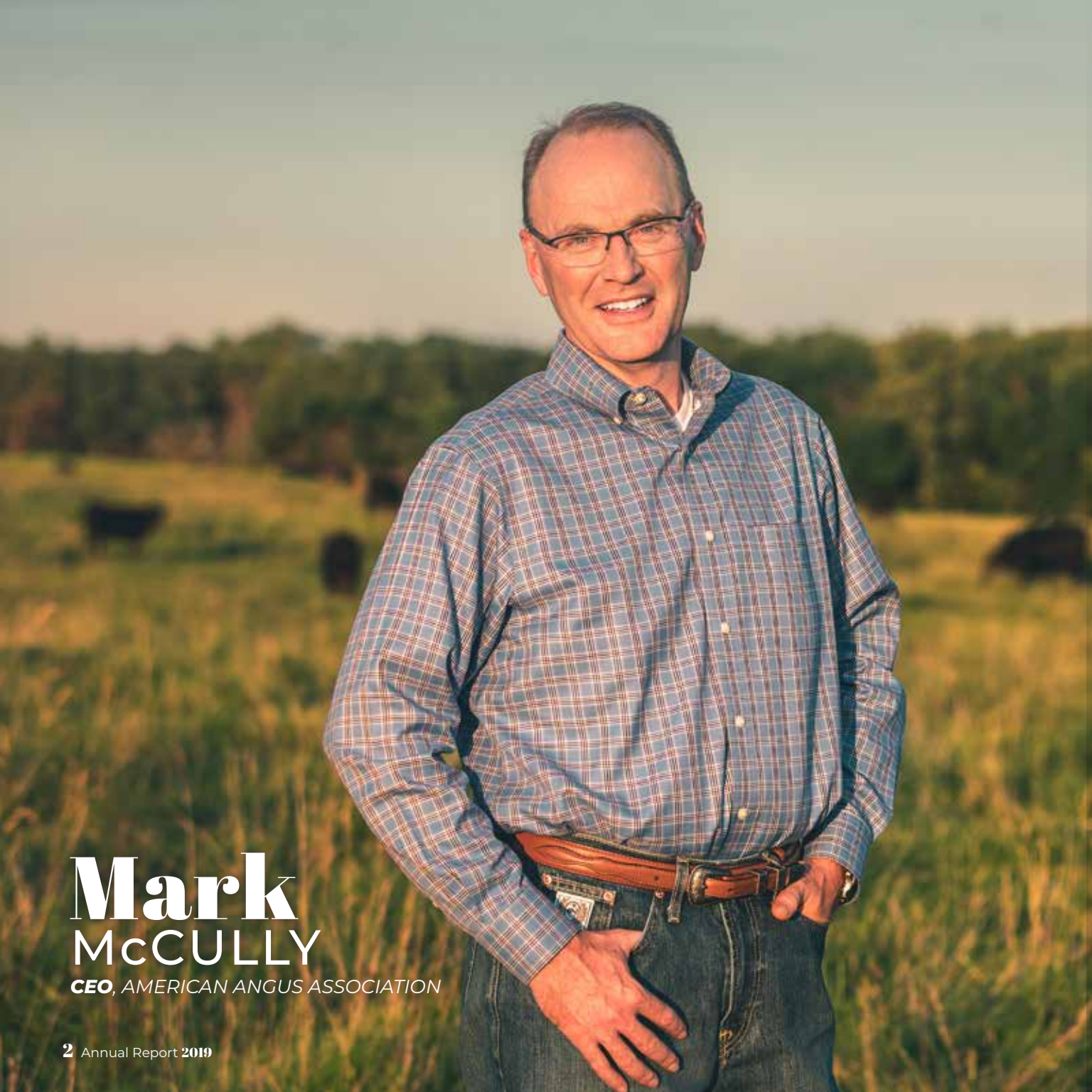
**2019**  
ANNUAL REPORT



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# Mark McCULLY

*CEO, AMERICAN ANGUS ASSOCIATION*

This year has been a year of change. But, it's in those times of transition the most progress can happen.

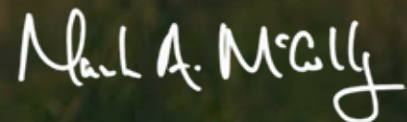
It's obvious that in a rapidly changing world, breed associations, like the members they serve, must adapt to stay relevant. We must distinguish between the "relevance of the breed" and the "relevance of the breed association." These are not the same, and it's vital to acknowledge the difference.

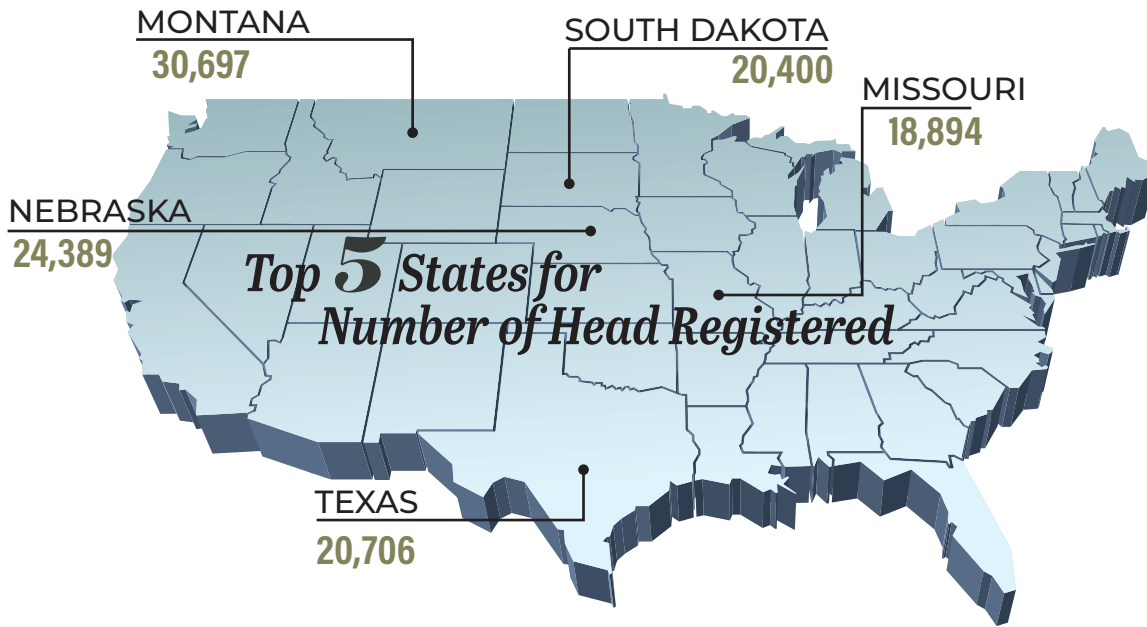
Multiple breed associations may have similar charters and bylaws, yet I suspect only a few will be relevant to the future of the cattle industry. That relevancy will be determined by several things — first being the strength and value of the breed itself. No amount of marketing and promotion can overcome cattle that don't work. Second, the foresight and progressiveness of the members and breeders. And third, the resources at its disposal — data, people and finances. Those resources must be directed to deliver programs and services that ultimately create real value for its members and the greater beef industry.

Ultimately, I believe successful, growing and relevant breed associations of the future will strike a balance of progress and innovation with stability and member confidence. They will respect their heritage and recognize time-honored traditions while not resting on their laurels and instead adapting to the changes and realities of the business. They must deliver real value, enabling cattlemen to breed really good cattle.


The American Angus Association® and all its entities have made significant strides in the past year to deliver more value to our members – updating the \$Value Indexes, improving expected progeny difference (EPD) models and adding new foot score and research pulmonary arterial pressure (PAP) EPDs, beginning the creation of the new Pasture2Publish Sale Book Portal from Angus Media<sup>SM</sup>, redesigning the *Angus Beef Bulletin*® and creating more demand for our beef through the *Certified Angus Beef*® brand.

We're looking forward to making more progress in fiscal year 2020!

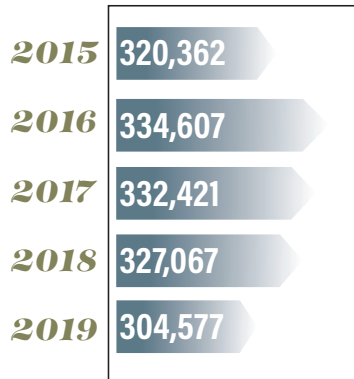




**1.250**  
**BILLION POUNDS**  
 Certified Angus Beef® sold  
 +3.1%  
 FROM  
 2018




**Total Registrations**



**53,786** American Angus Association Mobile App Users



**114,485**  
 Page Likes



**28.6**  
 THOUSAND  
 Followers



**6.278**  
 MILLION  
 Angus TV  
 Views



**16.6**  
 THOUSAND  
 Followers

**ANGUS FOUNDATION** **\$611,450** INVESTED IN YOUTH & EDUCATION

**\$126,000** INVESTED IN RESEARCH

REGISTERED **ANGUS** TRANSFERS

**69,369** *cows*

**74,384** *bulls*

GENOMIC  
TESTS  
SUBMITTED  
**159,841**

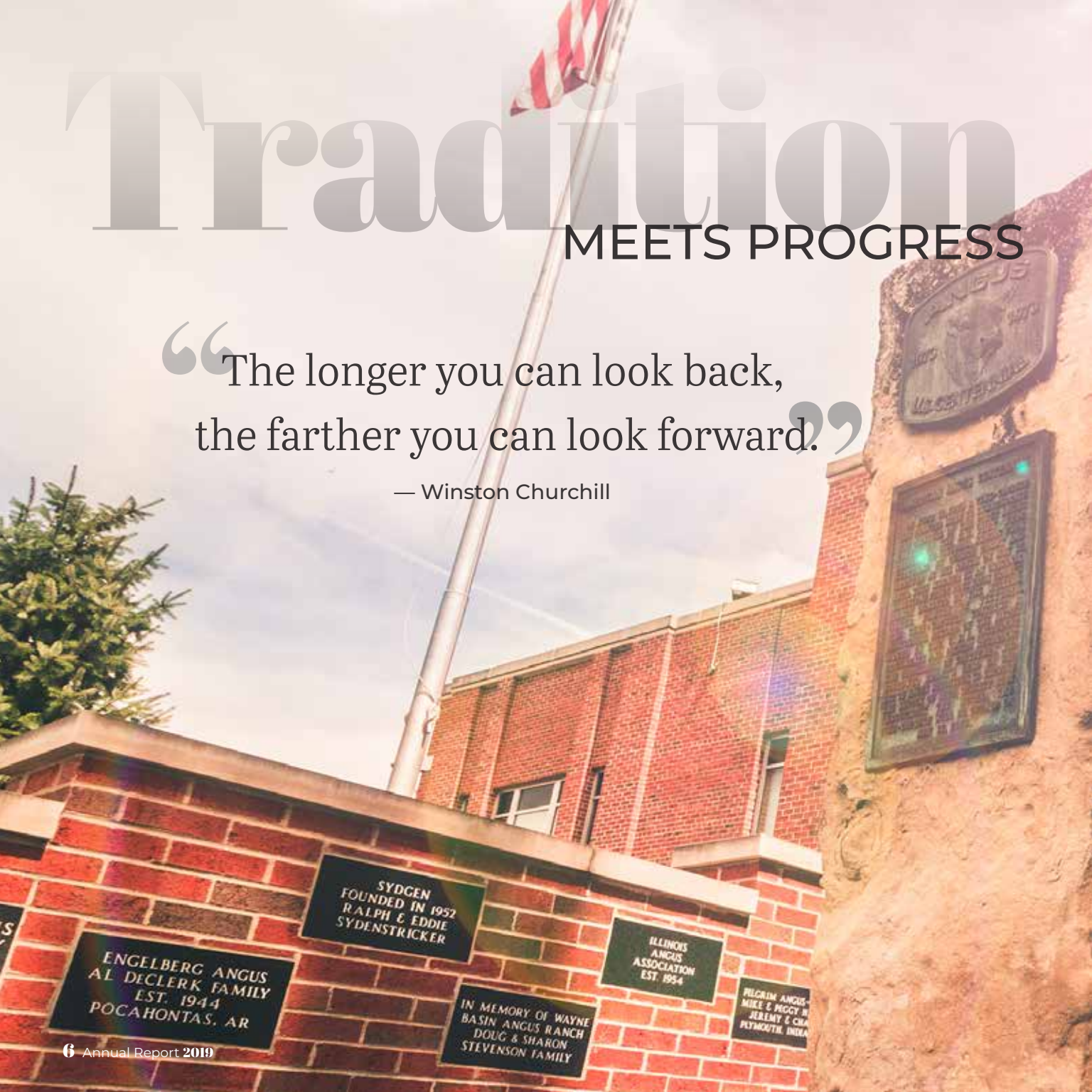
TOTAL  
GENOTYPED  
ANIMALS  
**697,901**  
28.6% ↑ FROM 2018

# Tradition

## MEETS PROGRESS

“The longer you can look back,  
the farther you can look forward.”

— Winston Churchill



SYDGEN  
FOUNDED IN 1952  
RALPH & EDDIE  
SYDENSTRICKER

ENGELBERG ANGUS  
AL DECLERK FAMILY  
EST. 1944  
POCAHONTAS, AR

ILLINOIS  
ANGUS  
ASSOCIATION  
EST. 1954

IN MEMORY OF WAYNE  
BASIN ANGUS RANCH  
DOUG & SHARON  
STEVENSON FAMILY

PILGRIM ANGUS  
MIKE & PEGGY H.  
JEREMY & CHA  
PLYMOUTH, INDIANA



# AMERICAN ANGUS ASSOCIATION

The tradition of the American Angus Association we celebrate today was incredibly progressive for the time. Through innovation and doing things differently than other breeds, the Business Breed emerged as the leader it is today. Future generations will look back at our current decisions and say the same, if we continue to stay innovative and push forward.

Tradition and progress are intertwined, and both are important to continue to lead the industry. Our tradition makes progress possible. Our tradition IS progress. And, we've made a lot of it in fiscal year 2019. We've also done a lot of celebrating that tradition and remembering our roots.

It's been a year of tradition and progress.



“In many respects the history of the American Angus Association and its members is a story of change. In its best times, the Association not only adapted to change; it led the drive for change.”

– Keith Evans in “A Historic Angus Journey - The American Angus Association 1883-2000”

## Celebrating 100 Years

The *Angus Journal*® turned a page in history celebrating 100 years of reporting on the American Angus Association, the Angus breed and the beef cattle industry.



The *Angus Journal* traces its roots to 1919, when on Aug. 10, in Webster City, Iowa, printer Fred Hahne, published the first issue of *The Aberdeen-Angus Journal*. In 1979, the American Angus Association purchased the publication and shortened its name to *Angus Journal* — a name readers had called it for years. For the past 40 years, production of the *Angus Journal* has taken place in the Association office in Saint Joseph, Missouri.

This flagship publication of the American Angus Association has changed with the times to become an industry-leading publication while continuing to provide a marketing avenue for Angus cattle breeders.

Though it has reflected the Angus breed’s ups and downs, it has remained the industry hub for Angus cattle sale listings and offerings, as well as the primary source on the latest in beef cattle herd management, genetics, research and technology.



# Work Hard. Dream Big.

Heritage, tradition and pride are a few words often associated with the Angus breed. Across the country, Angus producers recognize various definitions of success no matter their place in the supply chain. Like those producers, the Angus Foundation identifies success in various forms. Over the years, the Angus Foundation and its donors have supported countless juniors and aided in providing avenues allowing them to reach their personal and professional goals.

"The Angus Foundation was crucial in helping me stay debt-free while pursuing my education," says Bailey Harsh, assistant professor at the University of Illinois and Angus Foundation Success Story. "Thanks to the Angus Foundation, I could focus on what I needed to know as a young professional to ensure my success."

Angus junior members are encouraged to work hard and dream big as they plan out their goals, and by providing a wealth of youth programs, educational resources and scholarship opportunities, the Angus Foundation has helped countless juniors to go above and beyond as professionals both in and out of the beef industry.

The Angus Foundation is proud to highlight a few of the Angus Foundation Success Stories. Their stories have come to fruition through the many programs made available through the commitment and support

of the Foundation. This year, five National Junior Angus Association (NJAA) alumni were selected to share their stories of how being involved in Angus programs helped them to get where they are today. These individuals were recognized in print, video and social media displaying their specific form of success and how they serve as advocates for the beef industry.

Harsh; Daniel McFarland, administrative fellow at Johns Hopkins; Zeb Gray, beef feedlot nutritionist at Furst-McNess; Michael Cropp, meat science extension program specialist at Iowa State University; and Jara Settles, general counsel and vice president of risk mitigation at the Livestock Marketing Association, were all once juniors who were active in the NJAA. All these individuals also directly benefited from receiving Angus Foundation scholarships to allow them to pursue higher education.

"I wouldn't be who I am today if it weren't for the investment the Foundation made in me, and I would be remiss if I didn't say thank you," McFarland says.


All serve as role models for the next generation of professionals. Visit [AngusFoundation.org](http://AngusFoundation.org) to see these Angus Foundation Success Stories and how they worked hard but also dreamed big.



“You’ll never be able to comprehend the impact of the National Junior Angus Association and the Angus Foundation. The network of people I have built now proves to be valuable throughout my career.”

— Zeb Gray, beef feedlot nutritionist,  
Furst-McNess and  
Angus Success Story





“The National Junior Angus Show is a place where memories are made and relationships are rekindled. Unlike any other event, juniors from across the country come to exhibit what they are most proud of, regardless if it’s their hard work in the show barn or in the contest room.”

— Jera Pipkin, former NJAA membership director

# Developing Future Leaders

## NJAS

National Junior Angus Show

*July 14-20, 2019*

LOUISVILLE, KENTUCKY

*“Win, Place & Showing for the Purple”*

758

Exhibitors

1,194

Entries

**six** NEW BOARD MEMBERS

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## LEAD: Live from Nashville

Leaders Engaged in Angus Development

*August 1-4, 2019*

NASHVILLE, TENNESSEE

150

NJAA members

- ✓ WORKSHOPS
- ✓ FARM TOURS
- ✓ ICONIC SIGHTS
- ✓ NETWORKING

“When it comes to LEAD, I think for me personally, it was all about the connections I made along the way. And the memories tied to the culture of the areas we toured.”

— Brody Fitzgerald, former NJAA leadership director

# Progress

MEETS TRADITION





“I think the key to our **success** is to celebrate, respect and recognize our heritage, the time-honored **traditions** that have served our members, the Angus breed, the cattle industry and the American Angus Association so well. And then look to the **future** and be able to be innovative, to be able to embrace change. Striking that **balance** is something that I’m going to work awfully hard at. To **reflect** upon our heritage, respect our heritage and where we’ve been, and at the same time, make sure we’re positioned for where we need to be in the **future.**”

— Mark McCully, CEO

“This past year, we’ve updated the most widely used decision-making tools in the beef industry, Angus \$Value Indexes. The new Maternal Weaned Calf Value is a significant improvement, incorporating twice as many traits to quantify maternal efficiency. And for the first time, Angus breeders and their customers have an objective value combining maternal traits with growth and carcass characteristics to maximize profit. These new tools are another step toward the most comprehensive and accurate genetic evaluation possible.

— Dan Moser, Angus Genetics Inc. (AGI)  
president

## \$Values

The original \$Value Index (\$Values) models were created in 2004 and served Association members well. But since 2004, technology has improved, and new EPDs were added to more fully characterize economically relevant traits. An extensive research project was initiated in February of 2018, which included an industry survey of all sectors that allowed staff to gain insight into selection priorities and how they utilize genetic tools. These results complemented the core economic research analysis that ultimately led to the updated \$Value models. Included in this effort were improved models for feed intake and mature weight EPDs. As key components of the new Maternal Weaned Calf Value (\$M), further refinement of these trait evaluations increased accuracy of \$Values.

## Foot Score

A beef industry first: The Foot Score EPD project was completed, and those two traits, Foot Angle and Claw Set, were moved from research EPDs on sires to publishing them weekly on the entire population.

## PAP

First of its kind for a breed association: Research EPDs for pulmonary arterial pressure (PAP) were launched by the American Angus Association on Feb. 1. This research EPD stems from collaborative efforts between Colorado State University (CSU), the American Angus Association and AGI, combining data sets collected at CSU, the Association and by Dr. Tim Holt. This EPD will help producers identify cattle less susceptible to high-altitude disease.

“It’s really important for the American Angus Association to record the foot structure data not only to create a genetic analysis, but also to make sure we have cattle in the Angus breed and the industry as a whole that are structurally sound and remain in the herd for a long period of time.”

— Kelli Retallick,  
AGI director of genetic service



“Commercial producers are truly the backbone of the seedstock business. The commercial programs team is filled with passionate people ready to guide the Association’s value-added program offering in tandem with our seedstock partners to unimagined markets.”

— Ginette Gottswiller,  
director of commercial programs

## Commercial Programs

During fiscal year 2019, more than 72,000 head of feeder cattle were enrolled in Angus Link<sup>SM</sup> and the Association’s USDA Process Verified Program (PVP), AngusSource<sup>®</sup>.

The Association increased its verification lineup by adding five more Process Verified claims that included: Non-Hormone Treated Cattle (NHTC), NeverEver3 (NE3), Cattle Care and Handling, Calf Management, and Angus-Sired Genetics.

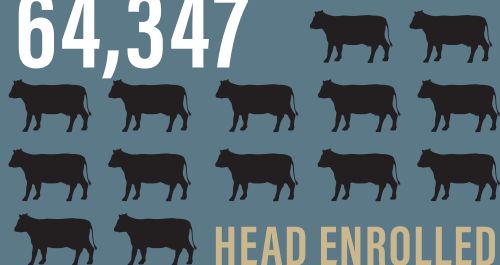
Commercial producers responded positively. NHTC was added to 38 percent of the enrollments, while 21 percent chose the NeverEver3 claim.

Providing value-added marketing programs and cost-effective verification services to our commercial partners further supports the power of Angus-influenced feeder cattle in today’s marketplace.

# MaternalPlus

On the road to a longevity EPD, the Association has been promoting the MaternalPlus® whole-herd reporting option. The additional reproductive trait data will expand reproductive and cow survivability tools.

64,347



## TOP STATE MATERNALPLUS PARTICIPANTS

*Kansas*

26

*Montana*

26

23

*Missouri*

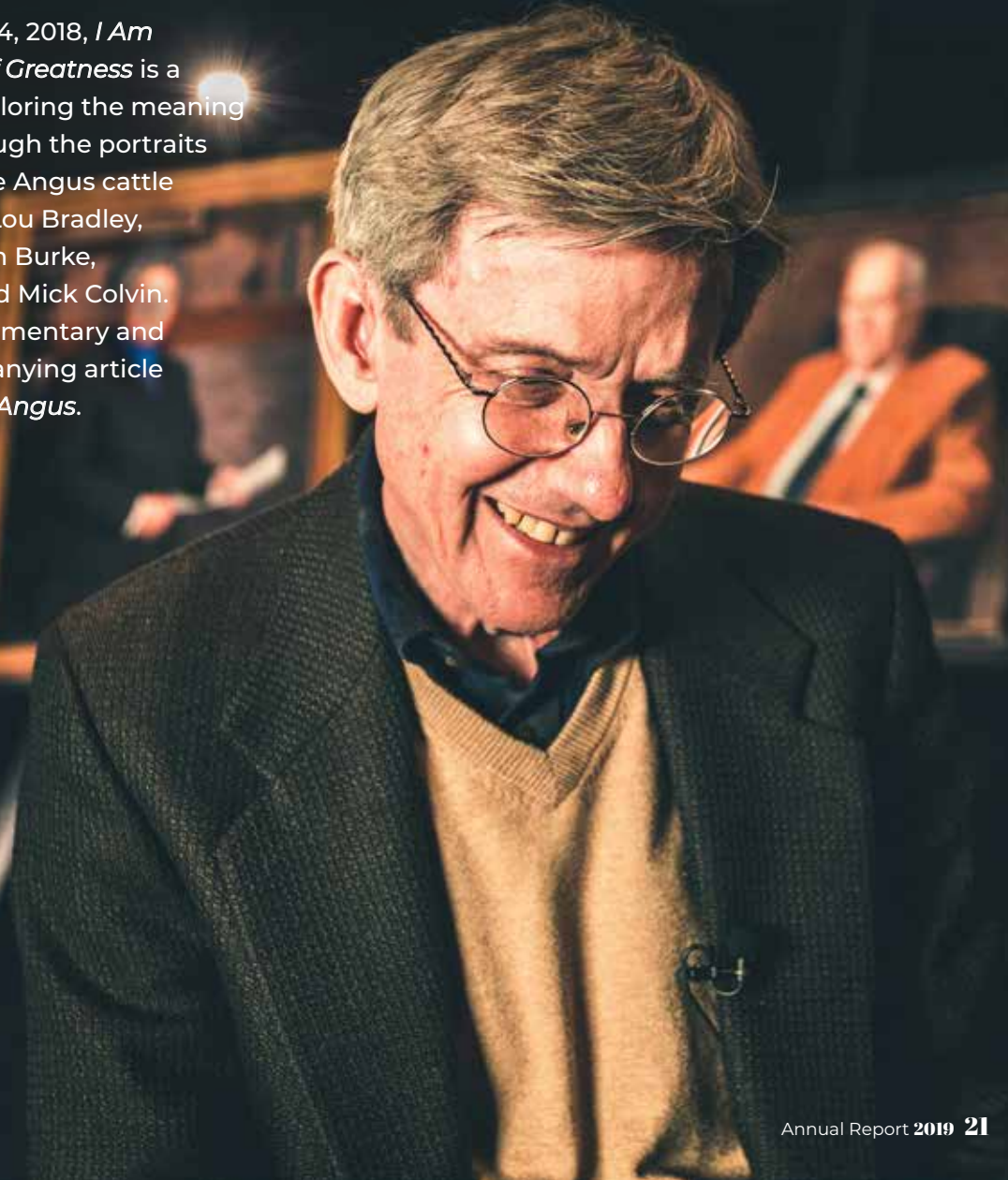
“MaternalPlus is a program that is very important to me not only because I'm the only female director in AGI, so I know the value of a good female, but also for the fact that we know that the Angus breed was determined to be a maternal trait leader in the beginning. We want to make sure we are reaffirming that to the industry to ensure the Angus cow remains the queen of the beef industry.”

— Kelli Retallick,  
AGI director of genetic service

# *I Am Angus | The Art of Greatness*

Released Dec. 24, 2018, *I Am Angus | The Art of Greatness* is a documentary exploring the meaning of greatness through the portraits of five icons in the Angus cattle industry: Minnie Lou Bradley, Dave Nichols, Tom Burke, Dave Hawkins and Mick Colvin.

Watch the documentary and read the accompanying article at [angus.org/IAMAngus](http://angus.org/IAMAngus).



## Losing Ground

I think communication is the key. We in agriculture, more than ever before, need to make it our duty and allot our time and our busy schedules to get the right information out there to our consumers and our urban neighbors. The pool of where they're getting their information from is not always correct. It's causing us some great hardship in this country...We've got to do a better job of telling our story, telling what we're doing and getting the absolute facts out there versus ill information.

— Randy Stabler, registered-Angus producer from outside Washington D.C. during the filming of "Losing Ground,"  
an *I Am Angus*® production



VIEWERS ON RFD-TV

**160,000**



REACHED

**402,500**

FACEBOOK USERS

**11,224**



YOUTUBE VIEWERS

**100,000**

TRAILER VIEWERS

ACCEPTANCE TO AT LEAST

**4**

FILM FESTIVALS

APPEARANCE IN MORE THAN

**43**

AG PUBLICATIONS

PROMOTED BY

**11**

RADIO STATIONS

# Angus Convention

November 2-5, 2018

COLUMBUS, OHIO



**2,000**

Attendees

**113**

Tradeshow Booths

**Five**

ELECTED BOARD MEMBERS

**40<sup>th</sup>** ANNIVERSARY  
Certified Angus Beef®  
BRAND

**135<sup>th</sup>**  
ANNUAL CONVENTION  
of Delegates

- ★ FIRST ANGUS CONVENTION  
Meat Judging Contest
- ★ ANGUS GENOMICS  
Symposium
- ★ ANGUS University

## Beef Leaders Institute

The Beef Leaders Institute (BLI) provides 20 American Angus Association members from all over the United States a unique opportunity to experience a complete pasture-to-plate event. It's a premier leadership opportunity for members 25-45 years old to get an in-depth look at the industry outside their operation.

Hosted by the American Angus Association and sponsored by Certified Angus Beef LLC and the Angus Foundation, the tour takes participants on a five-day expedition to study quality genetics, genomic technology, feedyard management, a packing plant, foodservice and retail distribution of CAB and much more.

“From the American Angus Association all the way to Sysco, the whole way down the chain, there are people caring for the animals and caring for the people in the cattle business. We're all in this together. It's easy for us to pass the blame somewhere else in the chain, but when we have a chance to see and meet everyone in the chain like we do in this program, we all win.”

— William Nichols, BLI participant and Angus producer from Pennsylvania

“I thought the event was an excellent educational opportunity where breeders could learn firsthand on the latest developments in the EPDs and the thought process behind it. Also, it was a great time for fellowship and to visit with other breeders I hadn't seen in a while.”

— Howard Gentry, North Carolina Angus breeder on a workshop he attended

## RM Bootcamps


In fiscal year 2019, there were 17 regional manager educational bootcamps put on in 16 states that reached 790 people. Regional managers plan these workshops in conjunction with the American Angus Association events and education department. Sponsored by the Angus Foundation, they provide a way to offer education on specific topics breeders in the area are interested in.

“The American Angus Auxiliary offers individuals interested in the welfare of the Angus breed the opportunity to work together to provide educational, promotional and social programs and activities. We are grateful to the American Angus Association, Angus Media, Angus Foundation and Certified Angus Beef LLC for their continued support.”

— Cindy Ahearn, American Angus Auxiliary president

*Converted to digital*

## MEMBERSHIP COMMUNICATIONS

*to help reduce expense* 

**\$18,000**  
AWARDED TO **10** JUNIORS  
*at the National Junior Angus Show*

## SPONSORED AWARDS AT NJAS

*Certified Angus Beef®* Cook-Off

Black Kettle Award

Pat Grote LEAD award

Spader and Grote speaking awards

Silver Pitcher

Crystal Award

**Five** Showmanship winners



*Miss American Angus  
2019*

**MADISON WEAVER**  
*PENNSYLVANIA*

**SCHOLARSHIP FUNDS  
GENERATED FROM**

**\$** *The Angus Gift Barn*

**\$** *Full Circle Online Auction*

**\$** *Gifts that Sizzle*

**\$** *Ratthey Sculptures*



“Angus Media is unique in that our organization has been able to capitalize on the **heritage** and insight of 100 years of experience, while remaining on the forefront of the beef industry in providing **innovation** and information. We have continued this commitment to excellence by maintaining an unwavering focus on providing the utmost service and **results** for our customer. Our team is richly stocked with experience, wisdom, innovation, creativity and talent; but our most valuable feature is our staff’s **loyalty** to and passion for the Angus breed and our membership. By prioritizing our clients’ needs, we have been able to offer education, information and marketing tools that have allowed Angus **breeders** to improve their operations for five generations. By leveraging our successful past with our **vision** of service for the future, we are excited to serve the Angus breed and the beef industry for the next **100** years.”

— Brett Spader, Angus Media president

## Telling your story

A full offering of marketing solutions that connect breeders to the most valuable customer base in the beef industry, creating long-term growth and development. Our readers are on the move, so we deliver trusted news in a variety of forms to allow access to information in any way and at any time they choose. Looking forward, we will continue to serve the needs of the industry through advancements in technology and service.

# 12,000

*Angus Journal*

PAID MONTHLY SUBSCRIBERS

# 65,500

*Angus Beef Bulletin*

AVERAGE PRINTED

PER ISSUE

*Jan, Feb, Mar, Sept, Oct*

# 77.5

↑ 1% FROM 2018

AVERAGE ADVERTISEMENTS PER ISSUE

# 462

*Angus Media*  
Sale books created



# 34 MILLION

*Sale book page views*

*Average time spent on each online book* **8.5** MINUTES

# 310

WEBSITES  
*hosted under Angus Media*

# 38

CORPORATE ADVERTISERS  
↑ 8.1% FROM 2018

## Pasture2Publish

Pasture2Publish will provide Angus breeders a new look at sale book creation, promotion and viewing. By utilizing our new software, breeders will be able to guide the creative process while receiving an extensive suite of tools that directly impact their marketing abilities, including content and data management, instant in-depth analytics, and a streamlined production process. Buyers will appreciate this system's ability to research sale offerings online, mobile-friendly layouts, real-time EPD and animal info updates, embedded videos, and multiple viewing options.



## Angus Journal

The Angus breed has set the pace for the entire beef industry, and the *Angus Journal* continues to reflect the progressive mindset of Angus breeders by providing industry-leading information in management, genetics, research and technology.

The *Angus Journal* was named the top association publication in the 2019 Livestock

Publications Council contest. Judges described the *Angus Journal* as an ideal magazine for an association.

The *Angus Journal* unveiled its recent redesign in January 2018 boasting a new, modern look to accompany its already well-respected content. In January 2019, additional changes were implemented to increase reader engagement.



AVAILABLE

**24** HOURS A DAY

**7** DAYS A WEEK

**365** DAYS A YEAR

- ★ *Member-focused mindset*
- ★ *Customer-inspired creativity*
- ★ *Customer access year-round*
- ★ *Real-time EPD updates*



## *Angus Beef Bulletin*

The launch of the *Angus Beef Bulletin* redesign was met with enthusiasm among readers and advertisers. Printed five times per year and directed to buyers of registered-Angus bulls, the traditional black-and-white tabloid was converted to a four-color publication sporting a glossy magazine cover. The redesign went beyond surface changes to include an editorial focus uniquely devoted to its audience of commercial cattlemen,

including new columns and authors. Advertising was given a facelift by offering premium positions, as well as introducing corporate advertising rates and opportunities. The makeover earned the coveted Flanagan Award for most improved publication from the Livestock Publications Council. Bottom line, it resulted in advertising revenue 48 percent over budget and an energized audience.

# Growing supply, growing sales

Maximizing investment — cattlemen have been doing it for years. Like a building repurposed, or water developed for even grazing, the *Certified Angus Beef*® (CAB®) brand devoted the year to creative and cost-effective ways of promoting quality.

“We have a long tradition of getting the most out of every opportunity,” says John Stika, CAB brand president. “But this year had some real high points that helped drive growth.”

That 3.1% increase to beyond 1.25 billion pounds, with 6 of the 10 best sales months ever — those are signs the strategy works. It’s the people — a staff of 150, along with nearly 19,000 licensed partners around the world — who believe in the product.

Among the daily routine of tracking pounds, creating sales materials and connecting with people, there are extraordinary efforts that took manpower and money:

- **The Big Game scores big.** Evander Holyfield and Morten Andersen brought CAB to media row in Atlanta, Ga., for Super Bowl™ LIII. Alongside brand chefs Tony Biggs and Michael Ollier, the duos performed in 156 live interviews, bringing hot-off-the-grill steaks to media personalities. That represents more than \$2.61 million in ad value. The brand’s “Rare Moments, Done Well” commercial ran during the pre-game in key markets.
- **CAB masters Fire Masters.** As the sole beef sponsor for Food Network Canada’s newest competition cooking show, Fire Masters, CAB made appearances in all 10 episodes. The Food Network in the U.S. picked up the open-fire cooking show, increasing that exposure.
- **Prime supply up, Prime sales skyrocket.** CAB Prime, once considered a brand extension for mostly elite steakhouses, increased sales by more than 36 percent this year. Its retail sales were up by 90 percent, even outpacing foodservice. The sales team pointed out the opportunity and then brought marketing materials and training to empower partners to sell, and sell they did.
- **You say beef, we say carne.** In the United States alone, the Latin American market adds up to \$1 trillion, but CAB works the entire hemisphere. Ana Luisa Verba, director of international marketing-Latin focus, joined the brand in 2018 with skills as a cultural insider that go beyond translating words. Her team adds relevance, knowing and overcoming every sales objection.
- **#BestAngusBeefEver overseas tour.** Across the Middle East, media were abuzz when Chef Tony Biggs took to the countries of Kuwait, Qatar, Jordan and the United Arab Emirates to host press dinners and share the

brand's story on a worldwide scale. It's part of an overall strategy to build global business.

- **Connected to the cattleman.** The producer communications team streamlined its digital media efforts into one easily recognized style, rebranding as the CAB Cattleman Connection. The redesigned website ([www.cabcattle.com](http://www.cabcattle.com)) led the move, but users on Facebook, Twitter and Instagram also noticed a continuity among platforms. Cattleman resources are easier to find, read and use on any device.

- **Targeting the Brand™ usage increases.** The logo is intended to simplify bull buying for those interested in producing high-quality beef. Registered breeders used the logo to market bulls that met the program's requirement at 75 sales this past year — nearly triple the previous sale season. Well over half of the bulls in those sale books qualified for the mark.

Cattlemen have heard the demand message and they're acting on it.

"We had the equivalent of 13 months of supply this past fiscal year, coming from 470,000 more certified carcasses," Stika notes. Yet, he cautions against the idea that there's too much quality, especially with prospects of a shrinking cow herd moving forward. "We're going to need those cows better than they've ever been."

**"RARE MOMENTS, DONE WELL"**  
COMMERCIAL DURING  
SUPER BOWL™ LIII

**\$2.61 million**  
ADVERTISEMENT VALUE

**98%** OF TARGET AUDIENCE  
24-45 YEAR OLDS  
VIEWED **Six+** TIMES

SOCIAL MEDIA



**683,873**  
Page Likes



**47,645**  
Followers



**17,499**  
Followers

"We have a long tradition of getting the most out of every opportunity, but this year had some real high points that helped drive our 15th year of growth."

— John Stika, CAB president

# Board of Directors

## AMERICAN ANGUS ASSOCIATION

### Officers

---

#### President

John Pfeiffer, Jr.  
*Mulhall, Oklahoma*

#### CEO

Mark McCully  
*Saint Joseph, Missouri*

#### Vice President

Don Schiefelbein  
*Kimball, Minnesota*

#### Treasurer

David A. Dal Porto  
*Oakley, California*

Jim Brinkley  
*Milan, Missouri*

James S. Coffey  
*Hustonville, Kentucky*

Jerry Connealy  
*Whitman, Nebraska*

Richard M. Dyar  
*Crossville, Alabama*

John F. Grimes  
*Hillsboro, Ohio*

Chuck Grove  
*Forest, Virginia*

James W.  
Henderson  
*Childress, Texas*

Dave Hinman  
*Malta, Montana*

Mike McCravy  
*Bowdon, Georgia*


Alan Miller  
*Gridley, Illinois*

Dave Nichols  
*Bridgewater, Iowa*

Jonathan Perry  
*Fayetteville, Tennessee*

Barry Pollard  
*Enid, Oklahoma*

Mick Varilek  
*Geddes, South Dakota*

A photograph of a cowboy wearing a hat, standing on a horse in a field. The scene is lit with the warm, golden light of a sunset or sunrise, with silhouettes of trees and hills in the background.

The American Angus Association is the nation's largest beef registry association with nearly 25,000 adult and junior members. Our goal is to serve the beef cattle industry and increase the production of consistent, high-quality beef that will better satisfy consumers throughout the world.

## Mission Statement

To provide programs, services, technology and leadership to enhance the genetics of the Angus breed, broaden its influence within the beef industry, and expand the market for superior tasting, high-quality Angus beef worldwide.

## Vision Statement

To be the leading and most progressive, member-driven, consumer-focused beef organization in the world.

## Core Strategies

1. Achieve Angus Excellence Through Information
2. Increase Beef Demand With Angus Equity
3. Identify and Implement Relevant Technologies
4. Optimize Resources
5. Create Opportunities

# Regional Managers

## AMERICAN ANGUS ASSOCIATION

“The Association also holds the distinction of having the largest field staff of any beef breed organization, employing 13 full-time regional managers who travel extensively in their respective territories throughout the year representing the American Angus Association and its membership.”

— David Gazda,  
director of field services

### Region 1

**Reese Tuckwiller**  
*rtuckwiller@angus.org*

Connecticut  
Washington D. C.  
Delaware  
Massachusetts  
Maryland  
Maine  
North Carolina  
New Hampshire  
New Jersey  
New York  
Pennsylvania  
Rhode Island  
Virginia  
Vermont  
West Virginia

### Region 2

**David Gazda**  
*dgazda@angus.org*

Florida  
Georgia  
South Carolina

### Region 3

**Alex Tolbert**  
*atolbert@angus.org*

Kentucky  
Ohio  
Tennessee

### Region 4

**Casey Jentz**  
*cjentz@angus.org*

Illinois  
Indiana  
Michigan  
Wisconsin

### Region 5

**Adam Conover**  
*aconover@angus.org*

Iowa  
Missouri

### Region 6

**Rod Geppert**  
*rgeppert@angus.org*

Minnesota  
North Dakota  
South Dakota

### Region 7

**Levi Landers**  
*llanders@angus.org*

Colorado  
Nebraska

### Region 8

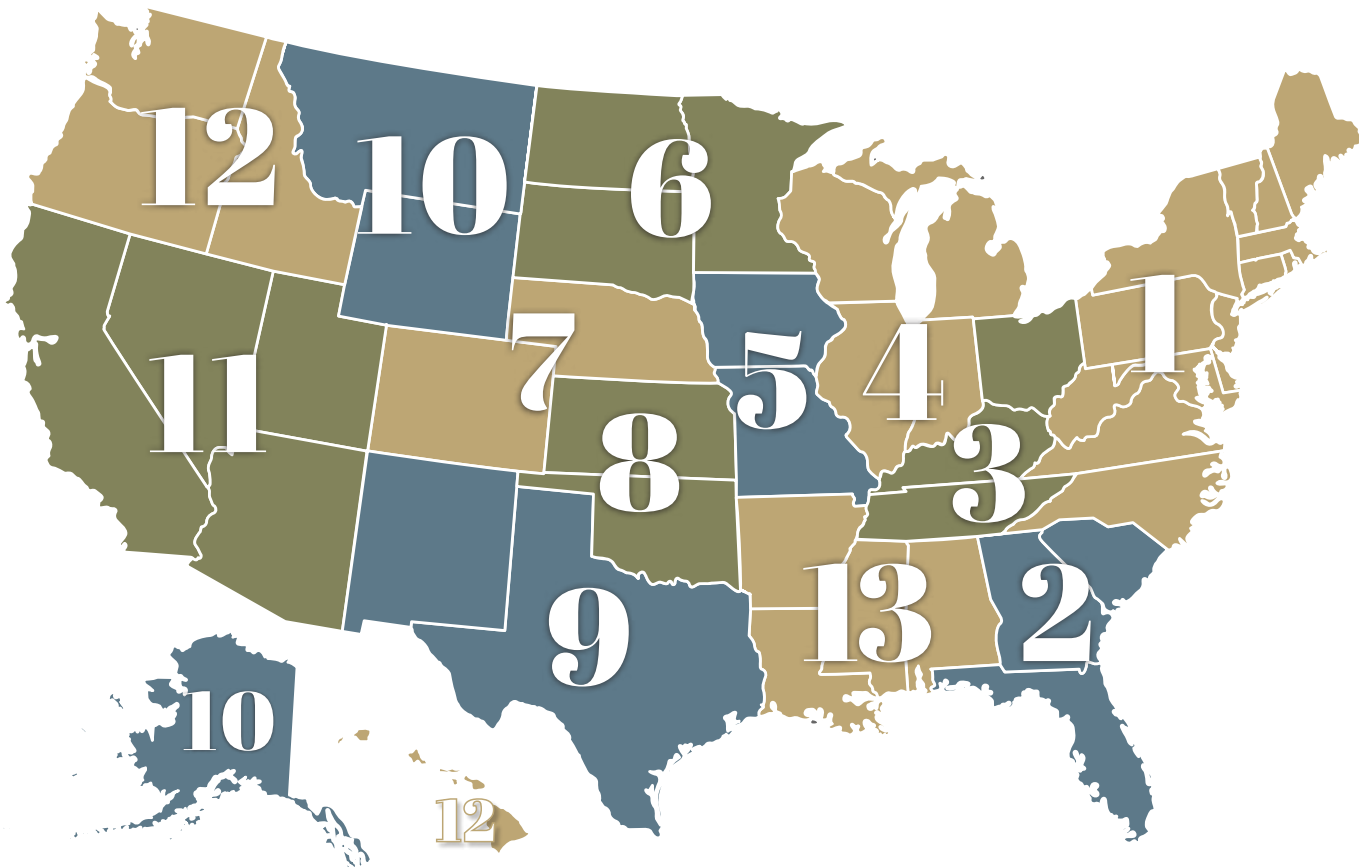
**Jeff Mafi**  
*jmafi@angus.org*

Kansas  
Oklahoma

### Region 9

**Radale Tiner**  
*rtiner@angus.org*

New Mexico  
Texas



## Region 10

**Kurt Kangas**

*kkangas@angus.org*

Alaska

Montana

Wyoming

## Region 11

**Jake Pickering**

*jpickering@angus.org*

Arizona

California

Nevada

Utah

## Region 12

**Jared Patterson**

*jpatterson@angus.org*

Hawaii

Idaho

Oregon

Washington

## Region 13

**Mark Sims**

*msims@angus.org*

Arkansas

Louisiana

Mississippi

Alabama





# Join Us

## AMERICAN ANGUS ASSOCIATION MEMBERSHIP

Call us at (816) 383-5100      Email us at [angus@angus.org](mailto:angus@angus.org)

Visit us at 3201 Frederick Avenue, Saint Joseph, MO 64506



Angus TV



American Angus  
Association



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@angusassoc

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Subscribe to the *Angus Journal* and *Angus Beef Bulletin EXTRA* at [Angus.org](http://Angus.org)

Your **membership** allows you to register Angus cattle, participate in **Association** programs and in **decision-making** processes.

# Independent Auditors' Report

## AMERICAN ANGUS ASSOCIATION

### Board of Directors American Angus Association and its Subsidiaries St. Joseph, Missouri

We have audited the accompanying consolidated financial statements of American Angus Association and its Subsidiaries (the Association), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying statement of functional expenses for the year ended September 30, 2019.

### 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association'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.

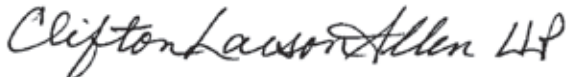
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Angus Association and its Subsidiaries as of September 30, 2019 and 2018, 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.

### Emphasis of Matter

As discussed in Note 2 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14 Not-For-Profit (Topic 958), *Presentation of Financial Statements of Not-For-Profit Entities* and ASU No. 2019-06 *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-For-Profit Entities*. Our opinion is not modified with respect to that matter.



St. Joseph, Missouri  
October 17, 2019

## American Angus Association and Its Subsidiaries Consolidated Statements of Financial Position

September 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,732,975	\$ 3,379,451
Accounts Receivable, Net	4,246,206	4,784,784
Pledges Receivable, Net - Current Portion	166,629	145,582
Income Tax Receivable	5,041	30,300
Interest Receivable	3,410	5,892
Inventories	1,596,765	1,188,132
Prepaid Expenses	1,301,867	1,159,455
Total Current Assets	9,052,893	10,693,596
<b>Investments</b>		
Without Donor Restrictions - Association	6,029,472	7,457,530
Without Donor Restrictions - Subsidiaries	7,087,994	6,905,904
Board Designated	15,740,393	16,541,274
Donor Restricted - Purpose	2,541,599	1,800,296
Donor Restricted - Perpetually Restricted	13,156,578	12,937,755
Total Investments	44,556,036	45,642,759
<b>Property and Equipment</b>		
Buildings and Land Improvements	8,411,972	7,205,171
Furniture, Fixtures, and Equipment	4,127,827	4,180,388
Electronic Data		
Processing Equipment	9,120,799	8,421,949
Total, at Cost	21,660,598	19,807,508
Less: Accumulated Depreciation	11,854,881	10,570,464
Total Property and Equipment	9,805,717	9,237,044
<b>Other Assets</b>		
Deferred Income Taxes	196,694	243,766
Long-Term Pledges Receivable-Net	105,255	116,225
Goodwill	800,000	1,000,000
Total Other Assets	1,101,919	1,359,991
<b>Total Assets</b>	<b>\$ 64,516,565</b>	<b>\$ 66,933,390</b>

	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable - Trade	\$ 3,329,498	\$4,600,029
Accrued Liabilities	2,541,208	1,911,505
Deferred Income	1,310,943	1,159,089
Total Current Liabilities	7,181,649	7,670,623
<b>Long-Term Liabilities</b>		
Deferred Compensation	39,750	584,618
Accrued Post Retirement Benefits	1,896,600	1,805,580
Total Long-Term Liabilities	1,936,350	2,390,198
Total Liabilities	9,117,999	10,060,821
<b>Net Assets</b>		
Without Donor Restrictions:		
General Operating	23,790,519	25,530,715
Board Designated	15,931,068	16,488,826
Total Without Donor Restrictions	39,721,587	42,019,541
With Donor Restrictions		
Purpose Restrictions	2,406,629	1,816,767
Perpetual in Nature	13,270,350	13,036,261
Total With Donor Restrictions	15,676,979	14,853,028
Total Net Assets	55,398,566	56,872,569
Total Liabilities and Net Assets	\$ 64,516,565	\$ 66,933,390

See accompanying Notes to Consolidated Financial Statements.

**American Angus Association and Its Subsidiaries**  
**Consolidated Statements of Activities and Changes in Net Assets**  
Years Ended September 30, 2019 and 2018

	2019	2018
<b>Revenues, Gains, and Other Support</b>		
Royalties	\$ 29,222,191	\$ 28,253,359
Advertising Income	8,130,159	8,307,456
Registrations	4,342,431	4,540,124
Transfers	936,586	987,069
Artificial Insemination Certificates	1,525,010	1,609,090
Memberships	1,398,273	1,498,730
Performance Programs	1,347,234	1,388,142
Commercial Programs	690,914	615,803
DNA Tests	7,067,846	7,589,394
Web Services Revenue	766,820	603,605
Subscriptions	572,382	626,419
Contributions	598,052	923,779
Account and Merchandise Sales	1,420,929	944,873
Software Sales	-	30,108
Creative Media Services	67,900	177,337
Support Fees	2,424,700	2,516,906
Other Income	177,184	190,542
Net Investment Income	<u>2,263,843</u>	<u>4,240,335</u>
Total Revenues, Gains, and Other Support	<b>62,952,454</b>	65,043,071
<b>Expenses</b>		
<b>Program Services:</b>		
Certified Angus Beef	26,885,981	22,685,411
Angus Productions	7,216,965	7,970,454
Angus Genetics	6,033,127	6,735,521
Angus Foundation	696,740	785,502
Member Services	1,937,659	2,858,626
Commercial Programs	2,436,057	1,179,965
Member and Industry Communications	2,022,704	1,758,933
Field Services	2,112,723	2,061,205
Events and Education	<u>2,411,049</u>	<u>2,604,669</u>
Total Program Services	<b>51,753,005</b>	48,640,286
<b>Support Services:</b>		
Management and General	11,828,579	13,292,430
Fundraising	<u>419,338</u>	<u>531,668</u>
Total Support Services	<b>12,247,917</b>	13,824,098
<b>Total Expenses</b>	<b>64,000,922</b>	62,464,384

	2019	2018
<b>Changes in Net Assets Before Other Provisions and Net Unrealized Loss on Investments</b>	\$ (1,048,468)	\$ 2,578,687
<b>Provision for Taxes</b>	(43,198)	(62,754)
<b>Provision for Post Retirement Benefits</b>	(178,177)	(355,780)
<b>Net Unrealized Loss on Investments</b>	<u>(153,371)</u>	<u>(1,291,529)</u>
<b>Changes In Net Assets Before Income Taxes</b>	(1,423,214)	868,624
<b>Provision for Income Taxes</b>	(50,789)	(26,510)
<b>Changes in Net Assets</b>	<u>\$ (1,474,003)</u>	<u>\$ 842,114</u>
<b>Changes in:</b>		
Net Assets Without Donor Restrictions	\$ (2,297,954)	\$ 601,513
Net Assets With Donor Restrictions:		
Purpose Restrictions	589,862	(208,741)
Perpetual in Nature	<u>234,089</u>	<u>449,342</u>
<b>Changes in Net Assets</b>	(1,474,003)	842,114
Net Assets - Beginning of Year	<u>56,872,569</u>	<u>56,030,455</u>
<b>Net Assets - End of Year</b>	<u>\$ 55,398,566</u>	<u>\$ 56,872,569</u>

See accompanying Notes to Consolidated Financial Statements.

**American Angus Association and Its Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
Year Ended September 30, 2019

Expenses	PROGRAM SERVICES									SUPPORT SERVICES				Total Expenses	2018 Total Expenses
	Certified Angus Beef	Angus Productions	Angus Genetics	Angus Foundation	Member Services	Commercial Programs	Member and Industry Communications	Field Services	Events and Education	Total Program Services	Management and General	Fundraising	Total Support Services		
Personnel	\$11,517,532	\$2,490,262	\$1,209,211	\$1,385	\$1,653,229	\$630,024	\$799,178	\$1,566,839	\$223,993	\$20,091,653	\$8,032,717	\$355,402	\$8,388,119	\$28,479,772	\$26,545,436
Travel	1,520,598	69,737	96,264	(2,135)	19,848	87,345	108,543	432,580	130,629	2,463,409	592,709	40,657	633,366	3,096,775	3,250,628
Meeting and Events	2,483,392	855	29,639	45,344	-	776	19,328	515	1,124,726	3,704,575	459,052	-	459,052	4,163,627	4,553,863
Scholarships	-	-	-	286,700	-	-	-	-	-	286,700	-	-	-	286,700	331,450
Promotions and Public Relations	9,801,277	1,906	50,900	15,302	20,263	254,111	964,565	1,966	23,130	11,133,420	49,170	11,324	60,494	11,193,914	10,812,733
Sponsorship and National Junior Angus Association	-	-	-	163,703	-	-	-	-	-	163,703	-	-	-	163,703	97,893
Shows	-	-	-	-	12	1,355	40,167	872	885,866	928,272	-	-	-	928,272	999,125
Research	37,120	-	104,514	126,000	152,403	-	-	-	-	420,037	-	-	-	420,037	215,926
Professional Fees	-	39,512	44,011	-	-	12,926	55,197	-	1,125	152,771	554,371	-	554,371	707,142	973,907
DNA Lab Tests	-	-	4,172,302	-	-	-	-	-	-	4,172,302	-	-	-	4,172,302	5,002,810
Production	225,637	2,706,953	48,582	45,921	78,425	437,294	600	-	-	3,543,412	-	2,575	2,575	3,545,987	3,028,918
Postage	-	1,817,238	25,800	4,433	2,095	13,729	11,789	1,447	9,509	1,886,040	150,871	23	150,894	2,036,934	2,778,632
General Operating and Supplies	932,907	52,170	235,796	9,207	11,127	137,164	22,670	9,489	8,803	1,419,333	1,401,749	993	1,402,742	2,822,075	2,817,849
Depreciation and Amortization	367,518	-	7,572	-	-	857,307	-	96,722	-	1,329,119	494,773	-	494,773	1,823,892	893,919
Adjustments and Write Offs	-	36,544	7,083	-	-	-	-	-	-	43,627	81,575	-	81,575	125,202	111,193
Miscellaneous	-	1,788	1,453	880	257	4,026	667	2,293	3,268	14,632	11,592	8,364	19,956	34,588	50,102
<b>Total Expenses</b>	<b>\$26,885,981</b>	<b>\$7,216,965</b>	<b>\$6,033,127</b>	<b>\$696,740</b>	<b>\$1,937,659</b>	<b>\$2,436,057</b>	<b>\$2,022,704</b>	<b>\$2,112,723</b>	<b>\$2,411,049</b>	<b>\$51,753,005</b>	<b>\$11,828,579</b>	<b>\$419,338</b>	<b>\$12,247,917</b>	<b>\$64,000,922</b>	<b>\$62,464,384</b>

See accompanying Notes to Consolidated Financial Statements.

**American Angus Association and Its Subsidiaries**  
**Consolidated Statements of Cash Flows**

Years Ended September 30, 2019 and 2018

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Changes in Net Assets	<b>\$ (1,474,003)</b>	\$ 842,114
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	<b>1,623,892</b>	893,843
Amortization	<b>200,000</b>	-
Gains on Sale of Equipment	<b>(3,213)</b>	(24,095)
Net Realized Gains on Investments	<b>(633,925)</b>	(2,866,670)
Net Unrealized Losses on Investments	<b>153,371</b>	1,291,529
Deferred Income Taxes	<b>47,072</b>	75,833
Contributions Restricted for Long-Term Purposes	<b>(263,148)</b>	(354,074)
Effect of Changes in Operating Assets and Liabilities:		
Accounts and Interest Receivable	<b>541,060</b>	(560,845)
Pledges Receivable - Net	<b>(10,047)</b>	84,819
Income Taxes Receivable	<b>25,259</b>	(4,082)
Inventories	<b>(408,633)</b>	(98,969)
Prepaid Expenses	<b>(142,412)</b>	(266,421)
Accounts Payable - Trade	<b>(1,270,531)</b>	1,390,086
Accrued Liabilities, Deferred Income, Deferred Compensation, Post Retirement Benefits, and Awards	<b>872,577</b>	(177,826)
Taxes Payable	<b>-</b>	(21,529)
Net Cash Provided (Used) by Operating Activities	<b>(742,681)</b>	203,713

	2019	2018
<b>Cash Flows From Investing Activities</b>		
Proceeds From Sale of Equipment	<b>105,465</b>	72,754
Proceeds From Sale of Investments	<b>3,273,077</b>	7,088,772
Purchases of Property and Equipment	<b>(2,294,817)</b>	(1,365,507)
Acquisition of Assets	<b>-</b>	(3,990,000)
Purchases of Investments	<b>(2,250,668)</b>	(2,186,070)
Net Cash Used by Investing Activities	<b>(1,166,943)</b>	(380,051)
<b>Cash Flows From Financing Activities</b>		
Proceeds from Contributions for Investment in Permanent Endowment	<b>263,148</b>	354,074
Net Cash Provided by Financing Activities	<b>263,148</b>	354,074
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,646,476)</b>	177,736
Cash and Cash Equivalents - Beginning of Year	<b>3,379,451</b>	3,201,715
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 1,732,975</u></b>	<b><u>\$ 3,379,451</u></b>

See accompanying Notes to Consolidated Financial Statements.

# American Angus Association and Its Subsidiaries | Notes to Consolidated Financial Statements

September 30, 2019 and 2018

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

American Angus Association (the Association) is a nonprofit organization incorporated in the state of Illinois in 1883. The Association's principal activities include maintaining pedigree and performance information, and the promotion of the Angus breed for its members, a majority of whom are located throughout the United States.

These consolidated financial statements include the Association's wholly owned subsidiaries, Angus Productions, Inc., a for-profit corporation incorporated on May 11, 1979 in the state of Illinois, and Angus Genetics, Inc. a for-profit corporation incorporated in the state of Missouri in 2007. Angus Productions, Inc.'s principal activities are publishing the Angus Journal®, a magazine for the Angus industry, and other related business activities. Angus Genetics, Inc.'s principal activity is genetic research and technology development for the beef industry.

The consolidated financial statements also include Angus Foundation (the Foundation) and Certified Angus Beef, LLC (CAB). The Association has a controlling financial interest in both the Foundation and Certified Angus Beef, LLC, including a majority voting interest in their Boards of Directors. The Foundation is a nonprofit organization incorporated in the state of Illinois in 1980. The Foundation's principal activities are to secure, manage, and steward charitable gifts for the purpose of cultivating and fostering the advancement of education, youth, and research activities related to the Angus breed and the agricultural industry. Certified Angus Beef, LLC was incorporated as a nonprofit organization in the state of Delaware in 2000, and its principal business activity is to operate the Certified Angus Beef Program, and thereby promote the Angus breed of cattle by increasing the demand for registered Angus seedstock in the commercial beef industry.

All material intercompany accounts and transactions are eliminated in the consolidation process.

### Use of Estimates in Preparing Financial Statements

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 the consolidated financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into the Association's consolidated financial statements include: the royalty income due from meat packers; the allocation factors used to allocate costs among the various programs and supporting services of the Association; the

estimated timing and collectibility applicable to pledges receivable and accounts receivable; the potential for state and local tax liabilities; the required liability for post retirement benefits; and the estimated final distribution of an estate. Actual results could differ from those estimates.

### Net Assets

Financial statement presentation follows the recommendations of Financial Accounting Standards Board ASC 958-205, Financial Statements of Not-for-profit Organizations. Under ASC 958-205, the Association is required to report information regarding its financial position and activities according to two classes of net assets. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets designated to be maintained as an operating reserve and a quasi-endowment for future need.

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and liquid investments with banks, mutual funds, certificates of deposit, and money market accounts with an initial maturity date of three months or less. Certain cash equivalents are considered to be an integral part of the Association's investment program and are, accordingly, recognized as a component of investments in the consolidated statements of financial position.

### Accounts and Pledges Receivable

A portion of the receivables represents royalty income to be paid by meat packers for the sale of Certified Angus Beef product. The receivable is calculated using royalty estimates derived from unreported sales, estimated from historical sales information.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Accounts and Pledges Receivable (Continued)**

All other accounts receivable are uncollateralized customer obligations that generally require payment within 30 days from the invoice date. Accounts receivable are stated at the invoice amount. Interest may be charged on past due balances, but is not recognized until collected.

Account balances with invoices over 30 days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable has been reduced for delinquent accounts and estimated uncollectible invoices through maintenance of an allowance for uncollectable accounts. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Association could be adversely affected. An allowance for doubtful accounts has been provided based on management's assessment of the collectability of receivables.

Pledges receivable represent unconditional promises to give that are due within 1 to 3 years. Pledges receivable are stated at the pledged amount, with the exception of long-term promises to give which are discounted to reflect their present value. Management has also established a valuation allowance that reflects management's best estimate of amounts that may not be collected.

### **Inventories**

Inventories consist primarily of promotional, educational, and support items, including genetic testing supplies. Inventories are stated at the "lower of cost or net realizable value" with cost being determined on the first-in, first-out (FIFO) basis of accounting.

### **Investments**

Investments include fixed income and equity security mutual funds, certificates of deposit, and money market accounts. Investments in fixed income and equity mutual funds are carried at fair value, with unrealized and realized gains and losses reported as an increase or decrease in the appropriate category of net assets. Certificates of deposit and money market accounts are carried at cost, which approximates fair value.

### **Impairment of Long-Lived Assets**

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an 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 fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

### **Property and Equipment**

The Association's property is carried at cost if purchased, or fair value if contributed. The cost of property in excess of \$500 is capitalized. Property and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

- Land Improvements, 7-20 years
- Buildings and Building Improvements, 10-50 years
- Furniture, Fixtures, and Equipment, 5-10 years
- Electronic Data Processing Equipment, 5-10 years

Included in furniture, fixtures, and equipment are vehicles used by regional managers. These vehicles are depreciated using an estimated cost per mile driven for each vehicle.

### **Goodwill**

Beginning in 2019, the Association adopted the accounting alternative offered to nonpublic entities and nonprofit organization for the subsequent measurement of goodwill. In accordance with this alternative, the Association amortizes goodwill over five years, on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs. A period of five years has been utilized to equal the life of the related assets acquired in the purchase transaction.

### **Deferred Income**

Advertising revenue is recognized as income when the magazine issue is published to which the revenue is related. Revenue from magazine subscriptions is recognized proportionately over the life of the subscription.

### **Contributions**

Contributions, including promises to give, are recorded when they become unconditional.

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, whether because a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as Net Assets Released from Restrictions.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Advertising Costs**

The Association expenses advertising costs as incurred.

### **Functional Allocation of Expenses**

The indirect functional costs of providing the various programs and activities of the Association have been allocated amongst those programs and activities according to allocation principles believed to be most representative by management of the actual efforts required by those programs. Program expenses include both these allocated costs and the direct costs of providing each program or activity. Management takes into account estimated employee hours spent per category and professional judgement when determining how much of the few allocable indirect costs to allocate to each expense classification.

### **Post Retirement Benefits**

The Association provides certain health care benefits for retired employees who meet eligibility requirements. The value for post retirement benefits is determined based on employee census information and estimates of the actuarial lifespan of potentially eligible individuals, the current year cost of supplemental health insurance, and certain assumptions related to discount rates and expected return on investments.

### **Income Taxes**

The Association and Certified Angus Beef, LLC are nonprofit organizations exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code (IRC). Angus Foundation is exempt from income taxes under Section 501(c)(3) of the IRC, and is not considered to be a private foundation. These entities are subject to income taxes on unrelated business income. Angus Productions, Inc. and Angus Genetics, Inc. are not tax-exempt organizations.

Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax basis.

Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

The Association follows the provisions for uncertain tax positions as addressed in Financial Accounting Standards Board ASC 740. The Association recognized no liability for unrecognized tax benefits at September 30, 2019. The Association has no material tax positions at September 30, 2019 for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. The Association had no accruals for interest and penalties at September 30, 2019 and 2018.

### **Description of Programs**

The Association operates the following programs:

**Certified Angus Beef:** Certified Angus Beef administers the national branded beef program with the goal of improving demand for registered Angus cattle.

**Angus Productions:** Angus Productions publishes the Angus Journal®, the official publication of the American Angus Association, the Angus Beef Bulletin and other materials, and provides services in support of the Angus industry.

**Angus Genetics:** Angus Genetics provides services to the beef industry including the genetic evaluation of cattle traits, the development and implementation of technology, such as DNA data, along with conducting research on new science to benefit all beef producers.

**Member Services:** The Member Services department maintains membership records, registered Angus cattle pedigree information and services other membership needs.

**AIMS:** The Angus Information Management Software (AIMS) department develops, maintains, and distributes AIMS computer software used by members to maintain records on their Angus herds.

**Performance Programs:** The Performance Programs department provides genetic information to members by processing animal birth, weaning and yearling weights, and other information useful in genetic evaluation of beef cattle.

**Commercial Programs:** The Commercial Programs department coordinates the Association's current work with commercial operations, as well as the development of new programs to assist commercial beef cattle producers using Angus genetics.

**AngusSource®:** AngusSource® is a USDA Process Verified Program developed for commercial cow-calf producers wishing to increase the value of their Angus-sired feeder cattle and replacement females by documenting source, group age and genetic information.

**Industry and Member Communications:** The Industry and Member Communications department provides national advertising and national public relations programs, as well as member information and education programs.

**Field Services:** The Field Services department reaches all corners of Association membership through its team of regional managers who attend Angus events, and work with members and commercial cattle producers.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### DESCRIPTION OF PROGRAMS (Continued)

**Conferences and Events:** The Activities department coordinates and assists with the Association's events, shows and other activities, and provides show premiums and attendance at Angus shows and events.

**Junior Activities:** The Junior Activities department oversees and conducts all development and activities regarding Angus youth and the National Junior Angus Association.

**Angus Foundation:** The Angus Foundation develops, assists, and sponsors educational programs, supports youth programs, and supports scientific research on related beef industry topics.

### New Accounting Pronouncement Effective in Future Accounting Period

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard does not impact the recording of contributions. Since then, the board issued proposed ASU, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The amendments in this update defer the effective date of Update 2014-09 for all entities by one year, making the standard effective for fiscal year ending September 30, 2020. Management will be evaluating the effects of this new standard.

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Association for the fiscal year ending September 30, 2021. Management will be evaluating the effects of this new standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. ASU 2018-08 is effective for the fiscal year ending September 30, 2020. Management will be evaluating the effects of this new standard.

## NOTE 2-CHANGES IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958 – Presentation of Financial Statements for Not-for-Profit Entities)*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements according. Net assets as of October 1, 2017 have been reclassified to conform with the requirements of ASU 2016-14, as follows:

	As previously Presented	Reclassification	As Reclassified
Unrestricted	\$ 41,418,028	\$ (41,418,028)	\$ -
Temporarily Restricted	2,025,508	(2,025,508)	-
Permanently Restricted	12,586,919	(12,586,919)	-
Without Donor Restrictions	-	41,418,028	41,418,028
With Donor Restrictions	-	14,612,427	14,612,427
	<u>\$ 56,030,455</u>	<u>\$ -</u>	<u>\$ 56,030,455</u>

On May 30, 2019, FASB issued ASU 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958) – Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. During 2019, the Association adopted this alternative treatment for goodwill and now amortizes goodwill for a period of 10 years, or less than 10 years if the Association determines that a shorter useful life is more appropriate.

## NOTE 3 – LIQUIDITY AND AVAILABILITY

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Association has various sources of liquidity at its disposal, including cash and cash equivalents, investments, accounts receivable, and pledges receivable

In addition to financial assets available to meet general expenditures over the next 12 months, the Association anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identify the sources and uses of the Association's cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

**NOTE 3 - LIQUIDITY AND AVAILABILITY (Continued)**

	2019	2018
Cash	\$ 1,732,975	\$ 3,379,451
Investments	44,556,036	45,642,759
Accounts Receivable - Net	4,246,206	4,784,784
Pledge Receivable - Net - Current Portion	166,629	145,582
Income Tax receivable	5,041	30,300
Interest Receivable	3,410	5,892
Total Financial Assets	<u>50,710,297</u>	53,988,768
Contractual or Donor Imposed Restrictions:		
Cash Restricted to Specific Uses	(8,388)	(194,052)
Receivables	(25,530)	(208,408)
Donor Restricted Investments	<u>(15,537,836)</u>	<u>(14,334,343)</u>
Total	<u>(15,571,754)</u>	<u>(14,736,803)</u>
Board-Designations:		
Cash	(77,117)	(190,957)
Receivables	(90,750)	(127,500)
Board-Designated Endowments	(2,434,985)	(2,341,699)
Other Board-Designated Investments	<u>(13,305,408)</u>	<u>(14,199,575)</u>
Total	<u>(15,908,260)</u>	<u>(16,859,731)</u>
Financial Assets Available to Meet Cash		
Needs for Expenditures Within One Year	<u>\$ 19,230,283</u>	<u>\$ 22,392,234</u>

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Board-designated amounts could be made available for operations with a board action.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following:

	2019	2018
Trade Receivables	\$ 3,514,563	\$ 3,966,411
Royalty Receivables	731,643	818,373
Total	<u>\$ 4,246,206</u>	<u>\$ 4,784,784</u>

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Association uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 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 the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1*—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

*Level 2*—Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3*—Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

**Investments**

Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

## NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair values of assets measured on a recurring basis, as of September 30, are as follows:

2019				
	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity Securities:				
Mutual Funds:				
Large Cap Equity	\$ 16,144,558	\$ 16,144,558	\$ -	\$ -
Mid Cap Equity	524,778	524,778	-	-
Small Cap Equity	338,371	338,371	-	-
International	1,876,302	1,876,302	-	-
World	1,475,043	1,475,043	-	-
Fixed Income:				
Mutual Funds:	20,256,316	20,256,316	-	-
Corporate	450,232	450,232	-	-
World	512,096	-	512,096	-
U.S. Government				
Marketable				
Certificates of Deposit	2,014,722	-	2,014,722	-
Total Assets	<u>\$ 43,592,418</u>	<u>\$ 41,065,600</u>	<u>\$ 2,526,818</u>	<u>\$ -</u>

2018				
	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity Securities:				
Mutual Funds:				
Large Cap Equity	\$ 16,957,525	\$ 16,957,525	\$ -	\$ -
Mid Cap Equity	565,755	565,755	-	-
Small Cap Equity	448,008	448,008	-	-
International	2,019,454	2,019,454	-	-
World	1,853,651	1,853,651	-	-
Fixed Income:				
Mutual Funds:				
Corporate	22,667,191	22,667,191	-	-
Total Assets	<u>\$ 44,511,584</u>	<u>\$ 44,511,584</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 6 - Investments**

The value of investments at September 30, 2019 consists of the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Held at Cost:				
Certificates of Deposit	\$ 516,967	\$ -	\$ -	\$ 516,967
Money Market Accounts	446,651	-	-	446,651
Held at Fair Value:				
Equity Security Mutual Funds	16,725,533	3,633,519	-	20,359,052
Fixed Income Mutual Funds	20,088,750	617,798	-	20,706,548
U.S. Government	499,810	12,286	-	512,096
Marketable Certificates of Deposit	1,982,000	32,722	-	2,014,722
<b>Total Investments</b>	<u>\$ 40,259,711</u>	<u>\$ 4,296,325</u>	<u>\$ -</u>	<u>\$ 44,556,036</u>

The value of investments at September 30, 2018 consists of the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Held at Cost:				
Certificates of Deposit	\$ 1,011,867	\$ -	\$ -	\$ 1,011,867
Money Market Accounts	119,308	-	-	119,308
Held at Fair Value:				
Equity Security Mutual Funds	16,645,411	5,198,982	-	21,844,393
Fixed Income Mutual Funds	23,205,632	-	538,441	22,667,191
<b>Total Investments</b>	<u>\$ 40,982,218</u>	<u>\$ 5,198,982</u>	<u>\$ 538,441</u>	<u>\$ 45,642,759</u>

Investment returns for the year ended September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Interest Income	\$ 1,719,558	\$ 1,376,934
Net Realized Gains	633,925	2,866,670
Investment Fees	(89,640)	(3,269)
Net Investment Income	2,263,843	4,240,335
Net Unrealized Losses	(153,371)	(1,291,529)
Net Unrealized Gains (Losses) - Deferred Compensation Investments	(210,845)	72,341
<b>Total Investment Returns</b>	<u>\$ 1,899,627</u>	<u>\$ 3,021,147</u>

## NOTE 7 - Pledges Receivable

Pledges receivable contain the following:

	2019	2018
Total Pledges Receivable	\$ 288,138	\$ 287,131
Less: Allowance for Uncollectible Pledges	16,100	25,140
Less: Unamortized Discount	184	184
Net Pledges Receivable	271,854	261,807
Less: Pledges Receivable, Net-Current Portion	166,629	145,582
Long-Term Pledges Receivable, Net	\$ 105,225	\$ 116,225

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 182,729
2021	-
2022	105,409
Total	\$ 288,138

Interest was imputed at a rate of 5% in discounting long-term pledges receivable.

The Association has been informed of multiple donors naming Angus Foundation as a charitable beneficiary in their revocable wills or trusts. Since these gifts are revocable, they are not reflected within the accompanying consolidated financial statements due to their conditional nature.

The Association is a beneficiary of an estate that is in the process of liquidating its assets to make a final distribution. Based upon discussion with the executors of the estate, the Association has recognized a receivable of \$105,409 at September 30, 2019 and 2018. This amount is subject to change relating to any final earnings or costs discovered or incurred by the estate.

## NOTE 8 - PENSION AND POST RETIREMENT BENEFIT PLANS

The Association sponsors a qualified noncontributory defined contribution plan (the Plan), which covers substantially all full-time eligible employees. Contributions are established by the board of directors (board) and are discretionary. Contributions to the Plan are based upon eligible employee salaries and years of service. During the fiscal years ended 2019 and 2018, the Association contributed \$1,347,287 and \$1,355,284, respectively, to this Plan.

During the fiscal year ended September 30, 1997, the Plan was amended to include a supplemental savings and retirement plan qualified under Section 401(k) of the IRC. Eligible employees may contribute a percentage of their eligible salary, subject to federal statutory limits.

The Association has nonqualified deferred compensation plans for several key employees. Under these plans, the participants may elect to defer receipts per sections 457(e)(15) and 415(d) of the IRC. The participants are always fully vested in their contributions. Upon early retirement or other termination of employment, the participant has the option to be paid their account no later than January 31 after the end of the Plan year or to take payment in equal annual installments, the last of which shall be no later than five years. The Association may vary payments at its discretion.

The amounts held for each participant are subject to the claims of the general creditors of the Association. The net annual amount recorded as deferred compensation expense was \$4,229 in 2019 and \$19,387 in 2018. Amounts are recorded on the Association's records as an investment and a matching long-term liability in the amounts of \$39,750 in 2019 and \$584,618 in 2018.

The Association provides supplemental postretirement health care benefits to employees who meet certain years of service requirements. This plan is not available for employees hired after March 1, 2006. This benefit is to be funded from the general assets of the Association as they are incurred. The following is information about the benefit obligation and assumptions related to this benefit plan as of September 30:

**NOTE 8 – PENSION AND POST RETIREMENT BENEFIT PLANS (Continued)**

	2019	2018
Accrued Benefit Obligation:		
Current Liability	\$ 86,400	\$ 84,086
Long-Term Liability	<u>1,896,600</u>	<u>1,805,580</u>
Total	<u>\$ 1,983,000</u>	<u>\$ 1,889,666</u>
Benefit Expense (Includes Benefits Paid of \$84,843 and \$82,114 for the Years Ending September 30, 2019 and 2018, Respectively)	<u>\$ 178,177</u>	<u>\$ 355,780</u>
Weighted-Average Assumptions:		
Discount Rate	6%	6%
Expected Return on Plan Assets	8%	8%
Benefit Obligation - Beginning of Year	\$ 1,889,666	\$ 1,616,000
Benefits Paid	(84,843)	(82,114)
Change in Fair Value	<u>178,177</u>	<u>355,780</u>
Benefit Obligation - End of Year	<u>\$ 1,983,000</u>	<u>\$ 1,889,666</u>

The current deferred tax asset results from an allowance for sales and use tax liability recognized for financial accounting purposes. The long-term deferred tax asset results primarily from using different depreciation methods and useful lives for financial accounting and income tax purposes, difference in revenue recognition for deferred compensation and differences for post retirement benefits.

A reconciliation of the provision for income taxes at the Federal statutory tax rates, to the Association's actual provision for income taxes, is as follows:

	2019	2018
Computed at Federal Statutory Rates	\$ 26,063	\$ (36,363)
Increase (Decrease) in Income Taxes Resulting from:		
State Income Taxes, Net of Federal Benefit	9,885	12,504
Nontaxable Income and Nondeductible Expenses	3,346	6,222
Net Operating Loss Carryback	76	1,630
Prior Year Under (Over) Accrual	2,794	(18,638)
Amended Refunds	-	(17,670)
Deferred Remeasurement	30,125	78,825
Miscellaneous Other Adjustments	<u>(21,500)</u>	<u>-</u>
Total Provision for Income Taxes	<u>\$ 50,789</u>	<u>\$ 26,510</u>

The Tax Cuts and Jobs Act enacted on December 22, 2017 reduced corporate federal income tax rates beginning January 1, 2018. The impact of the Tax Cuts and Jobs Act has been reflected in these consolidated financial statements.

The Association files income tax returns in the U.S. federal jurisdiction and various states. The Association is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended before September 30, 2016.

The Association's operations and activities occur, depending upon the specific year, in a variety of states. A provision of \$43,198 and \$62,754 has been established for sales and use taxes that may potentially be due to these taxing jurisdictions for the years ended September 30, 2019 and 2018, respectively. The total liability booked is \$472,174 and \$428,975 and is reflected as a component of accrued liabilities at September 30, 2019 and 2018, respectively. Changes in sales and use tax nexus criteria may impact the taxing jurisdictions in which the Association and its subsidiaries are required to collect and remit taxes. While the Association and its Subsidiaries may be subject to further requirements to collect and remit sales and use taxes in additional jurisdictions, an amount cannot be reasonably estimated. The Association is not, as of the date of these consolidated financial statements, under examination by any taxing authority.

**NOTE 9- PROVISION FOR TAXES**

The sources of deferred tax assets and liabilities, and the tax effect of each, are as follows:

	2019	2018
Deferred Tax Assets:		
Depreciation Differences	\$ (36,701)	\$ (29,410)
Unrealized Gains on Investments	(20,522)	(22,699)
Difference in Revenue and Expense Recognition	170,979	242,896
Allowance for Doubtful Accounts	47,047	27,742
Net Operating Loss	35,891	25,237
Net Deferred Tax Asset	<u>\$ 196,694</u>	<u>\$ 243,766</u>

The net deferred tax assets are presented in the accompanying consolidated statements of financial position as follows:

	2019	2018
Current Deferred Tax Asset	\$ -	\$ -
Long-Term Deferred Tax Asset	196,694	243,766
Net Deferred Tax Asset	<u>\$ 196,694</u>	<u>\$ 243,766</u>

## NOTE 10 - NET ASSETS

Net assets without donor restriction considered board designated, were available for the following purposes:

	2019	2018
Research for Breed Improvements	\$ 1,756,487	\$ 1,687,649
Marketing	1,048,711	1,002,905
Information Systems	2,429,452	2,495,181
Technology Innovations	1,283,105	1,350,038
Supplemental Health Benefits	2,118,248	2,033,338
Capital Replacement	1,816,101	2,038,118
Youth, Research, and Education Programs	2,657,148	2,660,161
Donor Relations and General Administration	2,821,816	3,221,436
Total Board Designations	<u>\$15,931,068</u>	<u>\$16,488,826</u>

Net assets were restricted by donors for the following:

	2019	2018
Purpose Restrictions:		
Research	\$ 25,264	\$ 74,888
Youth Programs	822,636	954,085
Education	1,558,729	787,294
Future Operations and Donor Relations	-	500
Total Purpose Restrictions	<u>\$ 2,406,629</u>	<u>\$ 1,816,767</u>

	2019	2018
Perpetual in Nature:		
Research	\$ 63,272	\$ 64,432
Youth Programs	2,112,814	2,080,589
Education	11,094,264	10,891,240
Total Perpetual in Nature	<u>13,270,350</u>	<u>13,036,261</u>
Total Net Assets with Donor Restrictions	<u>\$ 15,676,979</u>	<u>\$14,853,028</u>

Net assets with donor restrictions that are perpetual in nature consist of endowments, which are invested in perpetuity, the income from which is expendable to support specified Foundation programs.

The changes in net assets with donor restrictions for the years ended September 30 are as follows:

	2019	2018
With Donor Restrictions:		
Contributions	\$ 157,199	\$ 296,647
Net Investment Income	381,533	499,962
Net Unrealized Gain (Loss) on Investments	529,169	(275,091)
Satisfaction of Purpose Restrictions	(243,950)	(280,917)
Net Change in Net Assets with Donor Restrictions	<u>\$ 823,951</u>	<u>\$ 240,601</u>

## NOTE 11-ENDOWMENTS

The Association's endowments consist of various funds established within the Foundation to support a variety of scholarships and programs. Its endowments consist of both donor-restricted endowment funds and funds designated by the Foundation's board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Foundation's board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The board has interpreted Missouri's enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At September 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA.



## NOTE 11-ENDOWMENTS (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 index while assuming a moderate level of investment risk. Due to the specific investment guidelines required by a significant endowment donor, approximately \$11.6 million was invested in fixed income type investments as of September 30, 2019.

### Spending Policy

The Foundation has a policy of appropriating a distribution percentage each year of its endowment fund's average balance over the prior three years preceding the fiscal year in which the distribution is budgeted (5% for 2019 and 2018).

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Foundation expects the current spending policy will allow its endowment to retain the original corpus of the gift.

### Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted:			
Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 13,156,578	\$ 13,156,578
Endowment Earnings	-	2,055,868	2,055,868
Board-Designated Endowment Funds	2,434,985	-	2,434,985
Total Funds	\$ 2,434,985	\$ 15,212,446	\$ 17,647,431

Changes in endowment net assets for the fiscal year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 2,341,699	\$ 14,275,399	\$ 16,617,098
Investment Return:			
Investment Income	128,534	437,187	565,721
Net Appreciation (Depreciation):			
Board Designated	(33,444)	-	(33,444)
Donor Restricted	-	542,964	542,964
Total	95,090	980,151	1,075,241
Contributions	52,146	219,047	271,193
Appropriation of Endowment Assets for Expenditure	(53,950)	(262,151)	(316,101)
Net Assets - End of Year	\$ 2,434,985	\$ 15,212,446	\$ 17,647,431

Endowment net asset composition by type of fund as of September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted:			
Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 12,937,755	\$ 12,937,755
Endowment Earnings	-	1,337,644	1,337,644
Board-Designated Endowment Funds	2,341,699	-	2,341,699
Total Funds	\$ 2,341,699	\$ 14,275,399	\$ 16,617,098

Changes in endowment net assets for the fiscal year ended September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 2,066,271	\$ 13,610,311	\$ 15,676,582
Investment Return:			
Investment Income	138,872	468,880	607,752
Net Appreciation (Depreciation):			
Board Designated	48,344	-	48,344
Donor Restricted	-	(272,423)	(272,423)
Total	187,216	196,457	383,673
Contributions	121,212	581,235	702,447
Appropriation of Endowment Assets for Expenditure	(33,000)	(112,604)	(145,604)
Net Assets - End of Year	\$ 2,341,699	\$ 14,275,399	\$ 16,617,098

**NOTE 12-ROYALTIES**

Royalties relate primarily to CAB and represent payments made by meat packers to CAB for the sale of CAB licensed product. Royalties from four customers represented 40% of the Association's total revenues, gains, and other support and 34% of the Association's receivables for the year ended September 30, 2019. Royalties from four customers represented 38% of the Association's total revenues, gains, and other support and 31% of the Association's receivables for the year ended September 30, 2018.

**NOTE 13-SUPPLEMENTAL CASH FLOW DISCLOSURES**

Cash paid for income taxes was \$-0- and \$19,935 in 2019 and 2018, respectively.

**NOTE 14 - SELF-INSURED INSURANCE**

Effective January 1, 2016, CAB elected to be self-insured for medical, dental, and vision claims, subject to certain stop-loss coverage premiums. CAB's annual claims exposure is limited to \$150,000 per employee. At September 30, 2019, there were no material claims filed subsequent to year-end that related to the respective fiscal year. An accrual of \$81,951 and \$144,102 at September 30, 2019 and 2018, respectively, is included in Accrued Liabilities on the consolidated statements of financial position. The expense was \$1,250,500 and \$921,400 for the years ended September 30, 2019 and 2018, respectively.

**NOTE 15 - ACQUISITION OF ASSETS**

During the year ended September 30, 2018, the Association entered into an agreement with Verified Beef, LLC (VB) to purchase substantially all of the assets used or held for use by VB including intellectual property rights (Software and Goodwill). The acquisition resulted in the Association obtaining control of all business activities of the VB.

Total assets purchased were \$3,990,000 and consist of the following:

Software	\$ 2,990,000
Goodwill	<u>1,000,000</u>
Total	<u>\$ 3,990,000</u>

**NOTE 16 - FLUCTUATION IN INVESTMENT VALUES**

The Association's investment portfolio is subject to significant fluctuations in value. Because the values of individual investments fluctuate with market conditions, the amount of investment gains or losses that the Association may recognize in its future consolidated financial statements, if any, cannot be determined.

**NOTE 17 - CONTINGENCIES**

The Foundation has budgeted \$125,000 for research projects that have yet to be identified. The grants are contingent upon the researchers accepting final agreements and meeting other requirements established by the Foundation. Due to their conditional nature, the consolidated financial statements do not reflect a commitment for these grants.

**NOTE 18 - CONCENTRATIONS OF RISK**

The Association maintains cash in commercial banks located in the United States. The balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. There was approximately \$2,000,000 of collected balances in excess of FDIC limits at September 30, 2019.

Approximately 19% of the Association's contribution revenue during the year ended September 30, 2019 was from one donor. Approximately 23% of the Association's contribution revenue during the year ended September 30, 2018 was from one donor.

Approximately 84% of the Association's pledges receivable at September 30, 2019 was from three donors. Approximately 83% of the Association's pledges receivable at September 30, 2018 was from two donors.

**NOTE 19 - SUBSEQUENT EVENTS**

Management evaluated subsequent events through October 17, 2019, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2019, but prior to October 17, 2019 that provided additional evidence about conditions that existed at September 30, 2019, have been recognized in the 2019 consolidated financial statements.

**NOTE 20 - RECLASSIFICATIONS**

Certain reclassifications of prior year amounts have been made to conform to the presentation adopted for 2018 related to Note 2 Changes in Accounting Principle. These reclassifications had no effect on previously reported change in net assets or total net assets.

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