

# ANGUS

THE BUSINESS BREED



**VISIONARY LEADERSHIP**  

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**2016 Annual Report**

**American Angus Association**



**ANGUS**  
THE BUSINESS BREED



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# Leadership in Motion

Angus breeders chart outstanding success in fiscal year 2016.



It is my pleasure to report that 2016 was another outstanding year for the American Angus Association® and its members. Bottom line, fiscal year 2016 was a story of growth and unprecedented success.

Registrations grew by 4.5% versus fiscal year 2015 and totaled 334,607 head, which resulted in fiscal year 2016 becoming the 15th largest year for registrations in the Association's 133-year history. In addition, increases were seen across the board for performance records, including more cows enrolled in MaternalPlus®, and expanded genomic information for both seedstock and commercial cattle.

While average sales prices declined versus the record-setting prices of 2015, prices for Angus cattle remained strong. Bull prices averaged \$5,605 per head, while females averaged \$5,036.

Angus cattle remained highly valued in spite of almost 10,000 more animals marketed by members versus the

previous year. While average prices did decline, it's important to keep perspective. Average prices in fiscal year 2016 remained 12% higher for bulls and an astounding 39% higher for females than the average prices received in fiscal year 2014.

Across the Association's entities there were a number of outstanding achievements.

At Angus Genetics Inc. (AGI), the use of genomic profile testing of Angus seedstock increased by 45% compared to the number of tests conducted in fiscal year 2015.

In fact, use of genomic technology by members exceeded 100,000 tests annually for the first time. But that didn't happen by accident, as AGI staff presented educational programs in 24 states during the past year.

More importantly, AGI is positioned well for the future. With the addition of Dr. Stephen Miller and Kelli

Retallick, AGI now has the most talented education, research and customer service team in the beef genetics business. In fact, our capacity in genomics now exceeds most universities, let alone any other breed organizations.

Angus Media achieved a number of impressive milestones, as well. *The Angus Report* celebrated its five-year anniversary on RFD-TV. Since its inaugural episode, more than 11.5 million people have watched the program, which is the only one of its kind to promote and advance a specific breed of cattle.

Angus articles and press releases dominated the digital media universe in fiscal year 2016 compared to other breeds, with more than 65% of online articles being about Angus, according to Meltwater News.

Following consolidation of two agriculture media companies this year, the *Angus Beef Bulletin* stands as the industry's third-largest, nationally circulated publication — yet also holds the best advertising value.

Finally, Angus Media and the Information Systems department launched a redesign of the Association's website, [www.angus.org](http://www.angus.org), in September. The new layout is mobile friendly (50% of the website's usage is now on smartphones or tablets) and also brings together all of the organization's assets into a more user friendly and better organized platform.

Ultimately, all of this increased media activity, whether it be traditional print, video or electronic initiatives equates to more exposure for Angus cattle and our membership.

Likewise, the Angus Foundation continues to serve as a model of success for the livestock industry in serving

its mission of education, youth and research. In fiscal year 2016, more than \$265,000 in scholarships were awarded to Angus youth. In addition, outstanding educational programs were hosted at Cattlemen's Boot Camps, the Beef Leaders Institute and the Auxiliary's Women Connected conference, among others. Key research was conducted with industry partners on heat tolerance, product tenderness and reproductive performance.

Finally, there's been no greater milestone of achievement than *Certified Angus Beef*<sup>®</sup> (CAB<sup>®</sup>) having sold in excess of 1 billion pounds (lb.) of product this past year. CAB recorded its first 90 million-lb. month in July, only to have sales exceed that mark in both August and September.

While the sales total was impressive, just as noteworthy is that the percent of carcasses qualifying as CAB grew to 28.9%. Mind you, it was only a decade ago when the qualifying percentage was 14%. The increase in CAB-qualifying carcasses is a testament to the value ranchers receive for their Angus-sired calves and the unending commitment of our members for continuous improvement.

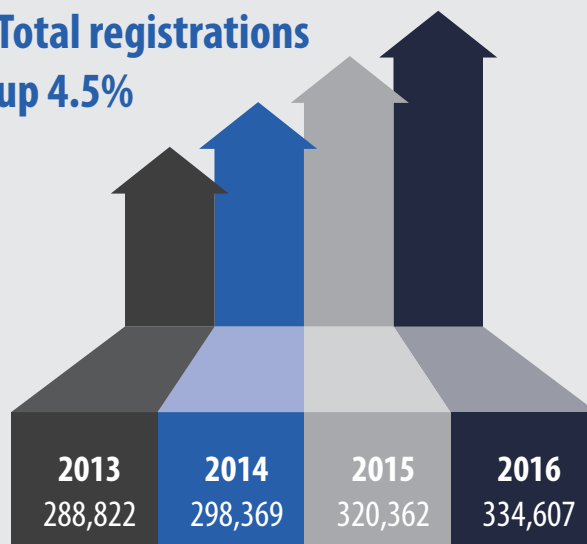
In summary, none of these outstanding results would have been possible without a talented Association staff that works tirelessly and selflessly for its members. I'm honored and humbled to lead such an outstanding team.



Allen Moczygmba  
American Angus Association CEO

## YEAR-END HIGHLIGHTS

Total registrations  
up 4.5%



## 15<sup>th</sup> largest year for registrations in Association history

↑ Nearly 10,000 head increase in  
registered Angus cattle sold



**BULLS**  
52,108

\$5,605  
**PER HEAD**



**FEMALES**  
18,301

\$5,036  
**PER HEAD**

**1 BILLION LB.**  
OF *Certified Angus Beef*<sup>®</sup>  
BRAND PRODUCT SOLD

**100,000**  
GENOMIC TESTS  
SUBMITTED TO AGI



## Setting the Course

American Angus Association Board of Directors approves Long-Range Strategic Plan.



### American Angus Association 2015-2016 Board of Directors

Front row, from left: Dave Nichols, Bridgewater, Iowa; Allen Moczygemba, Association CEO; Kevin Yon, Ridge Spring, S.C., Association treasurer; Jim Sitz, Dillon, Mont., Association president and chairman of the Board; Charlie Boyd II, Mays Lick, Ky., Association vice president and vice chairman of the Board; John H. Pfeiffer Jr., Mulhall, Okla.; and John Elbert Harrell, Opelika, Ala. Back row, from left: Tom Burke, Smithville, Mo.; Chuck Grove, Forest, Va.; Mick Varilek, Geddes, S.D.; James S. Coffey, Hustonville, Ky.; Mike McCravy, Bowdon, Ga.; David A. Dal Porto, Brentwood, Calif.; John F. Grimes, Hillsboro, Ohio; Leo McDonnell Jr., Columbus, Mont.; James W. Henderson, Childress, Texas; Jerry Connealy, Whitman, Neb.; and Don Schiefelbein, Kimball, Minn.

**L**eadership requires vision. An understanding of opportunities and challenges within the business, and how to drive quality from the cow-calf segment and beyond.

Responsible for this call is the American Angus Association Board of Directors. These directors represent the organization's nearly 25,000 members, and meet regularly throughout the year to discuss the state of the Angus business and set the course for the future.

In fiscal year 2016, the Board engaged in thorough discussion and thoughtful debate toward the following highlighted actions:

- Directed staff to proceed with the development of a structured sire evaluation project to generate additional progeny data for carcass and other traits in a well-designed program
- Approved funding through the Angus Foundation for four beef cattle research projects with partnering universities  
(*Read more on page 27.*)

- Approved a resolution to allow an industry representative to be elected to the Angus Productions Inc. (API) Board
- Approved the hiring of a regional manager for the reintroduced southeast region of Arkansas, Louisiana, Mississippi and Alabama
- Adopted a policy regarding member requests to review Board meeting minutes, as well as a refined policy to publish highlights of the board and committee meetings of the Association and its entities
- Recommended the implementation of a process to provide genomically enhanced expected progeny differences (GE-EPDs) on genotyped embryos and that they be publishable in API publications

Finally, in the most substantial effort of fiscal year 2016, the Association embarked on a long-range strategic planning process, the most comprehensive and far-reaching of its kind for the organization. From the start, the Long-Range Strategic Plan (LRSP) was anchored by valuable insight from all sectors of the beef


industry: from seedstock to commercial cow-calf producers, from feeders to allied industry partners, and from marketers to retailers to academia.

The effort revealed a holistic assessment of challenges and opportunities for the Association and its members in a rapidly evolving business.

The LRSP also brought forth the necessary foundation for an impactful, visionary plan. To build it, Association directors adopted a strategic planning model that first identified the goals and subsequent strategies that were needed.

Cumulative findings from LRSP research resulted in five core goals in the areas of: Leadership, Genetics, Commercial Programs, Product and Research. The Board approved several strategies within these areas — 21 in total — and directed staff to begin exploring each in an effort to ultimately grow the Angus breed's leadership position, quality beef demand and industry market share.

The complete plan is available at [www.angus.org](http://www.angus.org) and in printed form.



“I have a personal drive to leave the world a little better than I found it,” said Chuck Backus, Quarter Circle U Ranch near Apache Junction, Ariz.

Quarter Circle U Ranch | Steve Suther, Certified Angus Beef LLC | Angus Journal, October 2016

## Membership Driven

With no two the same, Angus breeders remain at the heart of the American Angus Association.

American politics aside, every sense of “progressive” describes Chuck Backus.

From his 36 years in education and research to the overlapping 39 years in ranching, this former provost of Arizona State University embodies the aspects of applied innovation, growth by accumulating knowledge, experimenting and expanding boundaries.

“With the data available now and all that we can measure, it’s a complex problem,” the retired nuclear

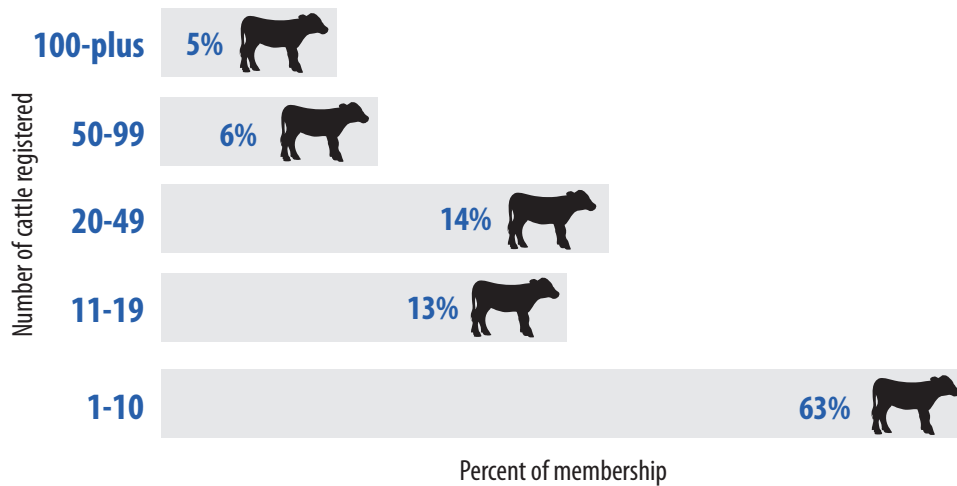
engineering PhD and solar energy specialist said. “It’s also a rewarding challenge to weigh all these factors from genetics to cattle health and range conditions.”

Backus represents one of nearly 25,000 members who rely on the American Angus Association’s programs and services. Each one of them is uniquely different, and the Angus team in Saint Joseph, Mo., is dedicated to providing unrivaled service to everyone. Here’s a look inside the membership demographics for fiscal year 2016.

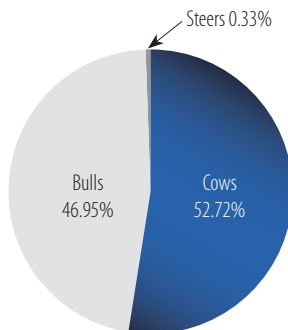




## Nearly 25,000 members representing 46 states who believe in the power of registered Angus genetics



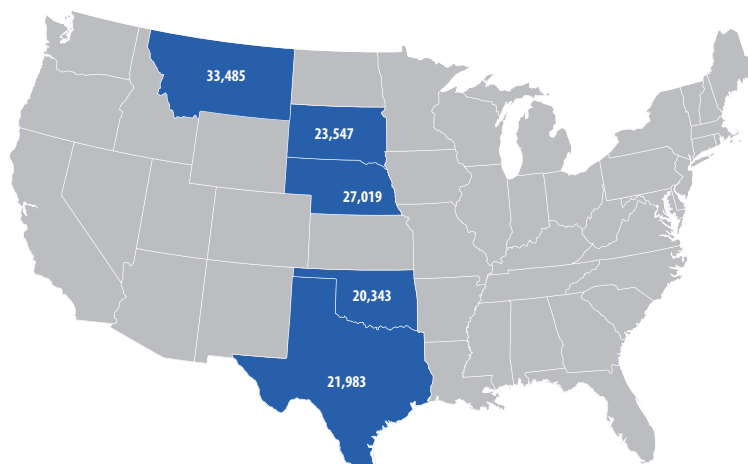
### TOTAL REGISTRATIONS 334,607 head



**53%**  
CALVES PRODUCED THROUGH  
ARTIFICIAL INSEMINATION

**46%**  
REGISTRATION CERTIFICATES,  
STORED ELECTRONICALLY

### Top five states for number of head registered



## Information Management

The power behind the scenes of nearly every Association program and service is the Information Systems department. The massive database, which includes pedigree information on more than 20 million cattle, continues to expand daily — in the number of head and the depth of performance data.

Weaning weights, ultrasound data, foot scoring and genomic information can all be referenced in the Association's online management tool AAA Login, at your fingertips using the Angus Mobile smartphone application, and through the organization's computer program Angus Information Management Software (AIMS).

In fiscal year 2016, the American Angus Association also debuted enhancements to [www.angus.org](http://www.angus.org), including a modern and mobile-friendly design, improved navigation menu and prominent news features on the website's homepage. The changes allow users to quickly locate the information and tools they need for herd management and marketing.

As the digital landing page for the American Angus Association, [www.angus.org](http://www.angus.org) experienced a nearly 6% increase in overall page sessions in fiscal year 2016.

Nearly 40% of that traffic was from mobile devices, while desktop traffic accounted for just over 50%. Tablet sessions followed similar trends from previous years at about 10%.

The Angus Mobile smartphone app was launched in 2012 and now has nearly 38,000 downloads. Available for free on iPhone, iPad, Android and Windows devices, the app allows breeders to access their herd inventory and input calving records straight from the pasture. Enhancements are ongoing, and this year the team updated functionality to include paying dues and member account balances, as well as other features within MyHerd.

## Regional Managers

For an American Angus Association Regional Manager, there's not much better than a conversation while looking at a pen of cattle. Located in 13 different territories, regional managers are responsible for visiting with Association members, assisting with programs and services, and marketing quality genetics.

Truly the boots on the ground for the organization, regional managers are well-versed in all performance programs and marketing opportunities available to Angus breeders and commercial cattle producers. In fiscal year 2016, the Association added a territory in the southeast and welcomed new professionals to its team.

Now representing Colorado and Nebraska is Drew Feller, a fifth-generation cattleman from Nebraska and a product of the National Junior Angus Association. Mark Sims, originally from Oklahoma, has relocated to the southeast to serve Angus breeders in Arkansas, Louisiana, Mississippi and Alabama, bringing with him valuable marketing and industry experience.



National Angus Tour | Leann Schleicher, Angus Media

## Team Angus

The American Angus Association celebrated 60 years in Saint Joseph, Mo., this year, where a team of more than 100 professionals are dedicated to serving the nation's cattle producers. From customer service to data entry, information systems management to marketing and communications, Association employees are proud to play a role in supporting America's Angus farms and ranches.



**Jerry Cassidy**  
Director of Member Services

"The American Angus Association provides programs and services to accurately document ancestry and performance information, as well as assist our members with marketing tools that add value to Angus genetics."

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**24 years of service**



**Dalon Stevens**  
AGI Customer Service Representative

"I enjoy assisting members with their testing decisions, as well as helping them understand their results and how they can benefit from them."

---

**Nearly five years**



**Lindsay Knight**  
Customer Service Representative

"Building relationships with my producers is one of my favorite things. We get in a lot of good-hearted laughs, and I have several folks who have a wonderful sense of humor, which should probably be a requirement to own cattle."

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**Nearly two years**



**Kristin Toll**  
Customer Service Representative

"We strive for excellence as an organization, and, in turn, we want to help our members succeed as Angus breeders. We are here to help — just pick up the phone and ask!"

---

**11 years of service**



**Peggy Richardson**  
Customer Service Representative

"We are happy to make their recordkeeping as easy as possible and go through as smoothly as possible so they will have more time to take care of their cattle."

---

**18 years of service**



**Ladena Keuhn**  
Human Resource Director

"I am honored to be a part of the prestigious American Angus Association, and I am committed to working with Angus leadership to continue building a strong culture within the organization."

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**Less than two months**

## Proven Performance

A focus on practical, on-farm programs and services leads the way for the Angus breed.

**S**tewart Select Angus was started in 1954 with the purchase of 34 pairs of registered Angus to graze the farm's rough, wooded ground.

Though started with a showing emphasis, performance has been the focus for the past 20 years, said manager Andrew Stewart, the third generation to raise Angus cattle on the Greensburg, Ind., farm.

based reporting system, to capture additional reproductive trait data within the herd.

Producers enrolled in MaternalPlus submit additional data to the Association and, in turn, receive in-depth reports such as female age distribution, weaning sire summary, dam disposal and cow condition reports. Each record serves as a

building block for future reproduction and lifetime productivity tools offered by the Association.

Total females enrolled in MaternalPlus were up more than 56% during fiscal year 2016, at 37,895 head. Angus breeders involved in the program are also on the rise, up nearly 30% from the prior year.

Progressive programs like MaternalPlus are made possible due to the more than 20 million performance records hosted at the American Angus Association. Generations of pedigrees, weights and measures allow the Angus breed to evaluate economically important traits, set

performance benchmarks and drive genetic progress for the entire beef cattle industry.

While demand for high-quality beef continues to rise, so does the need for carcass data. In fiscal year 2016, the Association launched a structured sire evaluation program as a way to gather valuable carcass information.

“We try to measure everything and really be a benefit to the commercial breeders here in Indiana and surrounding states, giving them good calving-ease genetics that still have good growth and carcass traits to help them be profitable for their operations,” Stewart said.

That begins with efficient females. Stewart enlists the Association's MaternalPlus® program, an inventory-



Stewart Select Angus | Josh Comminelli, Angus Media | Angus Journal, June 2016



The highly heritable traits present much value for the Angus breed as a way to predict EPDs for production characteristics such as carcass weight, marbling, ribeye area and fat. The effort is focusing on proven sires currently within the Angus evaluation, and aims to strengthen selection tools for carcass merit and help provide an even more consistent product for consumers.

The Association witnessed an across-the-board increase in weight records submitted to the organization in fiscal year 2016, including birth weights, weaning weights and yearling weights. Carcass records are also up 26%, with nearly 5,000 records submitted from 56 herds throughout the past fiscal year.

A foot-scoring system, released in February 2015, provides a framework for Angus breeders to evaluate structure and make improvements within the herd. Foot scores on nearly 4,000 animals were recorded in fiscal year 2016, an increase of nearly 62%. As the dataset continues to grow, the ultimate goal is to develop selection tools predicting structure.

Each piece of information, carefully measured, ensures the Angus breed's leadership position for generations to come.

## National Cattle Evaluation

**8.3 MILLION**  
weaning weights

**1.8 MILLION**  
ultrasound records

**111,862**  
carcass records

**18,544**  
individual  
feed intake records



## Producing the Best

A commitment to commercial partners improves quality at all levels of production.

It's hard to pinpoint when the transformation began, but on the Christensen family's commercial Angus ranch, it's evident that it happened: a commitment to excellence.

The views of the Rocky Mountains look much the same as they did when Grandpa Karl homesteaded near Hot Springs, Mont., a century ago, but third-generation rancher Shawn Christensen and wife Jen now run the ranch with their two daughters.

"That's how we were raised. Whatever you are doing, you want a product that the consumer wants," Christensen said. "We are raisers of beef, but you still have to raise cattle that can calve out on the range, get bred back during a drought, and go on to the feedlot, and have a feedlot want to come back and purchase your cattle."

Remaining relevant to the commercial cattle industry is a top priority for the Angus breed and the American Angus Association. Programs and resources targeted toward the commercial sector of the business help producers manage and market their Angus-sired calves, and reap the benefits for their investment in quality.

At the Christensen's Springvale Ranch, they've enrolled more than 1,700 head in the Association's verification programs AngusSource® and AngusSource® Genetic. Both marketing programs offer opportunity for producers who use registered Angus sires on their commercial herds.

As cattlemen look to sell their Angus-sired calves, AngusSource and AngusSource Genetic allow them to visually identify higher-quality genetics and command premiums. AngusSource

is a USDA Process Verified Program (PVP) that documents group age, source and a minimum 50% Angus genetics.

Each enrolled calf is accompanied by a marketing document, which includes expected progeny differences (EPDs), dollar value indexes (\$Values) and percentile rank tables. The added data allows potential buyers to study how the calves should perform and, in many cases, give them a reason to pay more for quality.

During video auction sales hosted in summer 2016, AngusSource-enrolled calves brought an average premium of \$5.16 per hundredweight.

When purchasing a registered Angus bull, commercial cattlemen gain access

to the breed's extensive programs and services, powerful database, leading genetic evaluations, and commercial-focused news and marketing programs.

The Association's online management tool, AAA Login, is also available to commercial producers, as a way to view current bull inventories and EPDs, track calf records and take advantage of other programs to improve herd performance.

Education is another critical component of the breed's service to the commercial sector. During fiscal year 2016, the Association hosted educational meetings where staff explained selection tools, the Beef Record Service, AngusSource, AngusSource Genetic, and the commercial DNA test GeneMax® Advantage™.





Springvale Ranch | Miranda Reiman, Certified Angus Beef LLC | Angus Journal, October 2016



## Rewards for Future Angus Stockmen



Commercial cattlemen are an integral piece when producing high-quality beef for consumers, and keeping them engaged and up-to-date on new tools is imperative.

That's why the American Angus Association launched the Future Angus Stockmen program as a way to engage young commercial cattle producers with educational, networking and scholarship opportunities.

With generous support from Allflex and Destron Fearing, the program's first \$1,000 scholarship was presented to Joel Osborn, Savannah, Mo., during the 2015 Angus Convention.

A third-generation cattle producer, Osborn helps his father John with their cow-calf operation, their 800-1,000 head feedlot, and a few hundred acres of row crops and hay.

Future Angus Stockmen is designed to help young cattlemen with strong work ethics, like Osborn, get a leg up on understanding available resources to help their operations, said American Angus Association Commercial Programs Director Ginette Gottswiller.



## A Quality-Minded Community

Events and educational opportunities equip Angus breeders for success.

To experience an in-depth look into each sector of the beef industry from pasture to plate could take a person years of their lives. For Beef Leaders Institute (BLI) participants, it only took five jam-packed days.

With support from the Angus Foundation and Certified Angus Beef LLC, BLI enhances the knowledge and leadership skills of Angus producers, ages 25 to 45 years.

Twenty American Angus Association members from 16 states made up this year's BLI class, and participants gained insight into Association work, reproductive technology, feedlots, genetic testing, packing plants and the *Certified Angus Beef*® (CAB®) brand.

“You should never be done learning,” said Justin Uhrig, Mount Rushmore Angus, Hermosa, S.D. “It is a challenge; and especially in our industry, I think you need to stay educated on the future line of the beef operation to ensure your family’s legacy continues for another generation.”

The Association’s events and education department hosts numerous events throughout the year to engage Angus producers of all ages in education and production to improve the business breed. The department creates and facilitates activities for both adult and junior members, including educational seminars, social events and showing competitions across the country.







In addition to the 2016 BLI, the Association hosted two Cattlemen's Boot Camp events, partnering with the University of Washington and Oklahoma State University. Each Boot Camp roped in 80 participants for a grand total of 160 seedstock and commercial producers in attendance at the events.

The cattlemen and women spent a day and a half learning from academia and Association staff on genetic selection, forage management, reproductive technology and marketing tips to help advance their operations and the Angus breed.

"Cattlemen's Boot Camp events are a fantastic opportunity for cattle producers to experience hands-on education right in their own home regions," said Jaclyn Clark, Association director of events and education. "We are fortunate to have strong partners at universities nationwide who make events like this possible."

A competitive series of events year after year, the Association's Roll-of-Victory (ROV) show program involved 18 ROV shows with nearly 2,000 cattle competing for points. They also provided premium support to nearly 40 open shows and more than 50 junior shows across the country.

National shows including the North American International Livestock Exposition (NAILE) in Louisville, Ky., and the National Western Stock Show (NWSS) in Denver, Colo., continued to attract hundreds of Angus enthusiasts for the impressive competitions.

New to the NWSS this year was the Angus Heifer Pen show down in the Yards. The carload and pen competitions at the NWSS are what make Denver especially unique. It's the only place where exhibitors can present their cattle in groups of 10 and three. Angus bulls have always been in the spotlight in the Yards, but this was the first year for heifers to compete.

## Sensational Sale

There's something special about the NWSS in Denver, Colo. For more than a century, livestock enthusiasts have traveled to the base of the Rocky Mountains to participate and experience the National Western. Activities and events hosted by the American Angus Association during the NWSS often set the pace for the entire year.

That's true for J.J. and Craig Reinhardt, who travel more than 1,000 miles from Sloughhouse, Calif., to take part in the NWSS and consign their bulls in the National Western Angus Bull Sale. It's the only sale managed by the American Angus Association, and in 2016, the sale attracted nearly 50 head from across the country — from California to Maryland, and everywhere in between.

J.J. Reinhardt sets the scene well: "It's unbelievable. At first when you're waiting to go in the door, it may seem like normal, but as soon as you walk in that ring, it's on fire."

The 2016 National Western Bull Sale grossed nearly \$370,000 and averaged more than \$8,000 per head.





## Never Stop Learning

Angus Convention attracts more than 2,100 cattle producers and partners.

**A** key reason for the Angus breed's leadership role within the beef business is a commitment to progress on all levels of the production chain — from the cow-calf producer to the commercial cattleman, and the feedyard to the packer.

That's on display each November during the Association's premier event, the Angus Convention. In 2015, quality-minded cattlemen and women gathered in Overland Park, Kan., to experience the best the breed has to offer.

Before the official start of the convention, the Kansas Angus Association hosted an outstanding Kansas Angus Tour that allowed participants to experience what ranching is like in different parts of the state. Tour buses traveled down gravel roads to each destination, and visitors enjoyed catching up with old Angus friends and making new ones.

The 2015 Angus Convention kicked off with the first-ever International Angus Genomics Symposium, a meeting of the brightest minds in the industry on the future of innovation and genomics in the cattle business. Sponsored by Neogen GeneSeek Operations, the keynote speaker was Richard Resnick, who was once part of the Human Genome Project. He shared his predictions for how genomics will play an increasing role in human health and agriculture.

Another headline event during the 2015 Angus Convention was Angus University, sponsored by Merck Animal Health, that explored the "Story of a Steak" and quality's role in the future of beef production. Keynote speaker Ken Schmidt, a former communications manager for Harley Davidson, inspired the crowd with his creative approach to building a brand. Angus University also included workshops that covered everything from recordkeeping

to genomics, and marketing to performance programs offered by the Association.

Inside the trade show, guests were also able to experience hands-on education in the live animal demonstration area. Staff members from Zoetis and Angus Genetics Inc. (AGI) developed sessions on the power of genomic data when making selection decisions.

Angus Convention participants also enjoyed four meals featuring the *Certified Angus Beef*® (CAB®) brand and an evening performance by Sammy Kershaw.

The American Angus Association also hosted its 132<sup>nd</sup> Annual Convention of Delegates in Overland Park, Kan., where representatives from each state or district vote on important organization business, including selecting the newest class of the Association's Board of Directors.

# ANGUS CONVENTION

## SAVE THE DATE

**Nov. 4-6, 2017  
Ft. Worth, Texas**

**Nov. 3-5, 2018  
Columbus, Ohio**

**Nov. 2-4, 2019  
Reno, Nevada**



## Luck of the Draw

Commercial Angus producers Maxine and Jason Davis from Antone Ranch in Mitchell, Ore., were pleasantly surprised during their trip to the 2015 Angus Convention. It was their first time to attend the event hosted by the American Angus Association, and they certainly didn't go home empty handed.

Maxine was the lucky winner of a brand-new Cat® 262D Skid Steer Loader, donated by Caterpillar Inc. All participants attending the Angus Convention were eligible to win the machine, which was valued at \$60,000.

"I'd been teasing all day that I was going to win," Maxine said. "When they said my name, I was actually in shock. Then it still didn't register until I looked up at the screen [inside the skid steer] and it said, 'Welcome winner.' I was like, 'Oh my gosh, it's mine!'"

Maxine and her husband manage 1,500 head of Angus cows on their ranch in central Oregon. They were invited to the Angus Convention by their bull suppliers at Rollin' Rock Angus.

"There are so many vendors here, and you can learn a lot and meet really cool people and get a lot of information," Maxine said. "Then to have prizes like this, it's outstanding. We're really excited to be here."



LEAD | JD Rosman, Angus Media | Angus Journal, October 2016

## Angus Leaders of Tomorrow

National Junior Angus Association inspires the next generation.

**A**s Brody Fitzgerald stepped off the plane and was slapped in the face with a fierce blast of 100°+ air, he knew he had indeed landed in Phoenix, Ariz. The seasoned Leaders Engaged in Angus Development (LEAD) veteran joined 100 other Angus juniors to brave the heat in order to build relationships and grow as a leader.

“Throughout the years of coming to LEAD, it has changed me as a person,” Fitzgerald said. “I enjoy meeting new people, finding out who they are and what they do.”

The annual LEAD conference is hosted by the National Junior Angus Association (NJAA) and travels across the country to provide juniors between the ages of 14 and 21 an inside look into agriculture and Angus cattle in a different region of the United States. More than just exposing participants to agriculture, LEAD strives to help build and strengthen leaders by allowing juniors the opportunity to network with fellow Angus enthusiasts and industry professionals.

Through LEAD conferences and other events, the National Junior Angus Association (NJAA) encourages leadership development, Angus appreciation and industry knowledge within its nearly 5,000 members nationwide, and paves the way for countless lifelong friendships and invaluable industry connections. This year was no exception.

The 2016 National Junior Angus Show (NJAS), hosted July 3-9 in Grand Island, Neb., featured a near-record number of participants. More than 650 Angus juniors exhibited 1,200 head of Angus cattle. In addition to strong showing competition, NJAA members also displayed their skills during 15 educational contests and events.

Participation was just as strong in the NJAA’s regional shows. The Western Regional Junior Angus Show took place in Reno, Nev., with 113 head of cattle shown; and the Eastern Regional was hosted in Harrisburg, Pa., with 260 head shown.

More than 80 junior members attended Raising the Bar workshops in Bentonville, Ark., and Sioux Falls, S.D., and spent three days learning from experts in the beef business, meeting new friends and exploring college campuses.

The Association selected Cassandra Garcia of Renton, Wash., as its 2016-2017 Angus Ambassador. Garcia will represent the Association for a year at industry conferences and events across the United States and Canada. When asked how it felt to receive the Association’s honor, she replied with an enthusiastic grin, “No words.”

Garcia is the fifth Ambassador to serve as a spokesperson for not only the Angus breed, but also the entire cattle industry as a whole.

New officers elected to the National Junior Angus Board (NJAB) in July 2016 were: Chairman Macy Perry, Prather, Calif.; Vice Chairman Reese Tuckwiller, Lewisburg, W.Va.; Foundation Director Braden Henricks,



National Junior Angus Show | Bridget Beran, Angus Media



Anadarko, Okla.; Communications Director Gabrielle Lemenager, Clifton, Ill.; Leadership Director Tim Mardesen, Oxford, Iowa; and Membership Director Katelyn Corsentino, Denham Springs, La.

Newly elected NJAB directors were: Catie Hope, Berryville, Va.; Jordyn Wagner, Billings, Mont.; Madison Butler, Vincennes, Ind.; Michaela Clowser, Milford, Neb.; Will Pohlman, Prairie Grove, Ark.; and Corbin Cowles, Rockfield, Ky.

## Celebrating 50 Years of Showmanship

Competing in the NJAA showmanship contest at junior nationals is a once-in-a-lifetime opportunity to represent one's state and join a prestigious group of national showmen. This year marked the 50th anniversary of the showmanship contest, and Courtney Younge of Iowa claimed top showman.

"Showmanship means so much to me," Younge said. "I've been doing it ever since I was a little girl, and at my first nationals in Iowa, I sat and watched the showmanship contests and I was like, 'I want to be in there one day.' I didn't care if I was in the top 15 or top five, but I knew I wanted to be wearing those black jeans and the white shirt."

During the 2016 NJAS in Grand Island, Neb., 51 junior members competed for the title of champion showman.

The journey to earning one of the coveted silver bowls, which are awarded to the top five showmen, begins in each contestant's home state, where two juniors are selected as representatives. The top showman at the NJAS is honored with the Dean Hurlbut Award, named after the man who organized the first showmanship competition in July 1967 in Lexington, Ky.



"It's been quite an honor to see it last this long," Hurlbut says. "To see the smiles on the faces of not only the participants, but their parents. It's been an honor to say I've started it."



In a valley in South Dakota, just outside the Badlands, Steve Mowry's registered Angus herd gathers on a late winter's afternoon.





## Leaps and Bounds

Angus Genetics Inc. continues to lead innovation in beef cattle genetics.

**O**n Bryan Ratzburg's northern Montana ranch, he won't buy a herd sire unless it's backed by genomic data: "There are too many benefits for us," he said, "and too much risk if we buy one without."

The registered breeder likes to have sires in the top 15% for major carcass traits, while also keeping a strong emphasis on maternal function. Consistency is key, both phenotypically and genotypically, for Bobcat Angus. They now use a genomic test on all replacement heifers, too.

"Hopefully, we're developing what the industry is demanding," Ratzburg said. "We were strongly emphasizing our maternal side, and now we're really starting to pay attention to our carcass traits, too. We know it's very important because we sell a lot of commercial steers every year, and we want to make sure that the buyers have a very good end product."

Angus Genetics Inc. (AGI) is on the frontline of developing and incorporating genomic technology within the beef cattle business. A subsidiary of the American Angus Association, AGI develops genomically enhanced expected progeny differences (GE-EPDs) for the Angus breed that are updated weekly.

In fiscal year 2016, AGI reports the use of genomic profile testing of Angus seedstock increased by 45% compared to the number of tests conducted the year prior. In fact, use of genomic technology by members exceeded 100,000 tests annually for the first time. Nearly 33% of total Angus registrations were genomically tested.

The release of low-density (LD) tests, launched in 2015, by partners GeneSeek® and Zoetis has contributed to the substantial increase in genomic testing. Offering a cost-effective solution for high-accuracy genomic data, the LD tests have become the preferred choice for AGI customers.

GE-EPDs enhance accuracy and predictability, especially for younger animals, and characterize genetics for difficult-to-measure traits. GE-EPDs on unproven animals have the same amount of accuracy as if each had data entered on 8-20 calves.

By incorporating this powerful data into the breed's weekly national cattle evaluation, AGI provides the most comprehensive, accurate and rapidly available tools to drive the science of better breeding.



## Growth in Genomic Testing

As a percentage of total Angus registrations







Bobcat Angus | Miranda Reiman, Certified Angus Beef LLC | Angus Journal, September 2016

“We’re certainly encouraged by the level of growth and interest in genomic technology within the Angus breed,” said Dr. Dan Moser, AGI president and Association director of performance programs. “With the current pace of technology and our ability to provide higher-accuracy genetic tools, it’s a fascinating time for our breed and the entire cattle industry.”

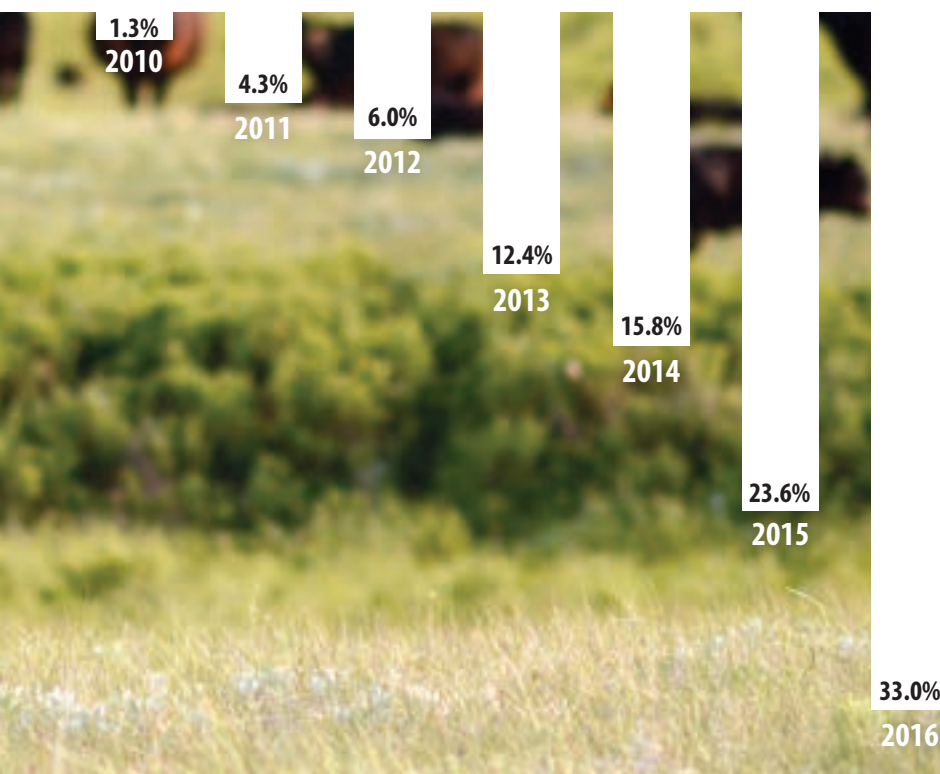
The GeneMax® Advantage™ test for commercial Angus females, offered by AGI and Zoetis, expanded its data offerings in fiscal year 2016.

In addition to the three bio-economic indexes — the Cow Advantage, Feeder Advantage and Total Advantage — currently offered by the genomic test, individual scores are also being reported for the following maternal traits: calving ease maternal, weaning weight, heifer pregnancy, milk and mature weight. Terminal traits, such as gain, carcass weight, marbling, ribeye area and fat thickness, will also be included in the individual trait reporting.

### Perfecting the science

The American Angus Association National Cattle Evaluation has a long-held, well-earned reputation as the most accurate and reliable beef cattle genetic database in the country. In fiscal year 2016, the AGI team of genetic experts and research scientists made strides toward adopting an advanced genetic evaluation method known as single-step, a process that offers to advance Angus breeders genetic selection capabilities even further.

The single-step method allows AGI to streamline the process required when developing GE-EPDs. It currently involves two steps: calibration and then merging that data within the national cattle evaluation. Using software developed at the University of Georgia, AGI will be able to include the genomic information, pedigree and performance data all within one calculation.



“With single-step, all the data goes into one set of equations, and that same set of equations gets run every week. It’s more current, more seamless,” said Dr. Stephen Miller, AGI director of genetic research. “The Angus breed is on the leading edge when it comes to adopting this type of system.”

As interest in genomic technology continues to grow within the Angus breed, the single-step method will eliminate the need for comprehensive recalibration efforts and will include the most accurate, up-to-date data in the national cattle evaluation each week. AGI will release EPDs using the single-step methodology in fiscal year 2017.

### Education & outreach

AGI released a new digital presence during the past year, included as part of the [www.angus.org](http://www.angus.org) relaunch. With the expanded website, seedstock and commercial cattle producers can explore genomic testing options, as well as learn how to collect a DNA sample and

interpret DNA results through articles and videos.

Educational presentations, workshops and one-on-one conversations remain a top priority for AGI and the Angus breed. The team traveled to 24 states during fiscal year 2016, sharing the latest in beef cattle technology with the nation’s Angus breeders and commercial users of Angus genetics.

Participants in the Association’s Cattleman’s Boot Camps, the Beef Leaders Institute, the Angus Convention and other events throughout the year also received valuable insight into incorporating genomic data into selection decisions.

## Genomic Testing Options

### High density (HD)



Most advanced genomic testing option

Regardless of provider, genotype results are equivalent in their contributions to calculating GE-EPDs

Ideal for high-impact parents who are likely to have progeny tested using LD tests (ex: highly used AI sires)

### Low density (LD)



More affordable with nearly the same level of accuracy as HD tests

Through imputation, results are indistinguishable from HD tests (the correlation between HD and LD genomic predictions is .99)

Makes testing more animals feasible and is suitable for most animals

## Growing the Team



**Dr. Stephen Miller is the director of genetic research for the cattle industry’s leading genetic evaluation center. Miller, most recently a principal scientist with AgResearch Ltd. in New Zealand, leads the organization’s research and development efforts, and will further the innovative methods for the Association’s weekly evaluation and AGI clients.**

**Over the course of his career, Miller has nearly 20 years of experience with beef cattle selection, genomics and technology. At AGI, he leads efforts for economic modeling of beef production, develops selection and management tools for both seedstock and commercial cattle producers, and guides research priorities.**



**As the director of genetic service for AGI, Kelli Retallick is responsible for coordinating genetic education and outreach programs tailored to Angus breeders and commercial cattle producers. Retallick works closely with American Angus Association entities to enhance strategic development of predictable supply chains using the available technologies and networks.**

**She was raised on her family’s registered Angus seedstock operation where she remains involved in decision making and marketing. Growing up, she was involved in 4-H, FFA and the National Junior Angus Association (NJAA), which fueled her passion to remain within the livestock industry. Retallick served on the National Junior Angus Board for two years.**

## Championing a Cause

Angus Foundation advances efforts for education, youth and research.



**A**ngus breeder Cody Sankey adjusts his hat as he approaches the U.S. Capitol steps. Nearing the final days on the 2016 Young Cattlemen's Conference (YCC), hosted by the National Cattlemen's Beef Association, the group of more than 50 cattle producers stands ready to spend a day visiting with legislators on the importance of beef cattle production and preserving the ranching way of life.

The 10-day YCC experience gives young leaders an opportunity to gain an understanding of all aspects of beef cattle production, from large-scale feedlots and packers, to retail and meat processors. The tour wraps up in Washington, D.C.

"Sometimes in the seedstock business, we don't realize just how big this industry is," said Sankey, who lives near Economy, Ind. "Our decisions can influence change all across the industry, and it is an in-depth production chain, with several hands that beef actually goes through before ultimately landing with consumers."

Sankey's experience was made possible thanks to the Angus Foundation. Generous donor support allows the Angus Foundation to sponsor a young producer as part of the YCC each year — and inspire the breed's next generation of leaders.

Through 36 years of unprecedented success, the Angus Foundation has championed the cause of education, youth and research for the advancement of the Angus breed. Each year, the Angus Foundation aims to provide additional opportunities and strengthen donor support for the programs and activities funded by the organization.

Donors' charitable gifts make the difference in the Angus Foundation's

ability to serve the needs of Angus breeders and the entire beef industry. Expansion of current programs and developing new programs in the future depend heavily on investments from visionary and progressive donors.

The Angus Foundation, a 501(c)(3) not-for-profit organization, has grown significantly since its inception in 1980. The Angus Foundation's assets totaled \$19.4 million in fiscal year 2016. Total revenue for the organization reached \$2.56 million and the Angus Foundation received more than \$1.76 million in donations from generous supporters through charitable giving, including outright cash, gifts-in-kind and estate gifts.



YCC 2016 | National Cattlemen's Beef Association





## Education

“All credit for the Angus Foundation’s success goes to our generous Angus breeders, enthusiasts and allied industry interests,” said Milford Jenkins, Angus Foundation president. “It’s truly a testament to their commitment to advancing the Angus breed and beef industry through the noble causes of youth, education and research.”

Noteworthy highlights for 2016 include new endowments of the DeEtta Wood Memorial Scholarship and the Joseph & Susanne Bush/J&S Ranch Scholarship. The Angus Foundation distributed more than 50 scholarships totaling more than \$212,000 to Angus youth at the National Junior Angus Show (NJAS) in Grand Island, Neb.

The Angus Foundation Heifer Package offered during the 2016 National Western Stock Show in Denver, Colo., sold for \$230,000, the second-highest-grossing package in the history of the fundraiser. Once again, long-time generous Angus Foundation supporters Charles W. and Judy Herbster, Herbster Angus Farms, Falls City, Neb., purchased the female donated by Schaff Angus Valley. This is the fourth



## Youth

consecutive year that Herbster Angus Farms has purchased the heifer package.

### Our youth, our future

During the past 36 years, the Angus Foundation has made a difference in countless lives by providing undergraduate and graduate students nearly \$2.7 million in scholarships. In fiscal year 2016, it presented 56 general undergraduate and graduate student scholarships, and 34 donor-named scholarships. Combined with other scholarships administered by the Angus Foundation, more than \$265,000 was distributed by the organization this fiscal year.

Not only does the Angus Foundation provide scholarships to deserving young people, it is also closely invested in supporting the National Junior Angus Board (NJAB) and the National Junior Angus Association’s (NJAA) Angus Ambassador.

In addition, the Angus Foundation supports junior members by contributing to the Leaders Engaged in Angus Development (LEAD)



## Research

conference, “Raising the Bar” conferences hosted by the NJAA and various other events throughout the year. Nearly 3,500 NJAA members have attended and benefited from the LEAD conference since 1994.

### Learning never ends

Another Angus Foundation initiative focuses on supporting adult Association members in continued education. Increased opportunities for education will help to build a solid base of Angus knowledge within the entire Association membership and aid in securing a more profitable future for the beef and agriculture industries.

The Beef Leaders Institute (BLI) is a highly anticipated leadership experience each year. In June 2016, the Angus Foundation and the Association welcomed 20 young Angus producers ages 25-45 from across the United States as they gained knowledge and enhanced their leadership skills during the ninth annual event.



Lienemann Cattle Co. | Miranda Reiman, Certified Angus Beef LLC

### Researching for a cause

The Angus Foundation has invested more than \$1 million in research throughout the past decade, including projects with a wide reach across the Angus breed and entire cattle industry. Funding research activities benefits cattlemen and women both today and in the future.

During fiscal year 2016, the Association Board of Directors approved full or partial funding for four projects: evaluating tenderness, juiciness and flavor in the consumer beef eating experience at Kansas State University; genetic evaluation of heat tolerance for growth traits at the University of Georgia; researching uterine and vaginal microbiome associations with fertility at the University of Tennessee; and research on the impact of selection using residual average daily gain EPDs on reproductive and growth performance and carcass traits at the University of Georgia.



### Meet Chris Stephens

The Angus Foundation this year welcomed Chris Stephens as the assistant director of development. A native of Wesson, Miss., Stephens will assist the Angus Foundation in fundraising to help achieve the organization’s mission of advancing education, youth and research for the Angus breed and American Angus Association members.

Stephens received his bachelor’s degree in agricultural communications from Oklahoma State University in 2002, and possesses a strong, professional skill set in leadership and fundraising in the beef cattle industry.



“The Angus Foundation has a successful history in development and support of its mission to advance the Angus breed,” Stephens said. “I am excited about helping to implement new strategies for growth and support for the foundation and creating greater awareness for our mission: youth, education and research.”



Simpson Angus Ranch | Shelby Mettlen, Angus Media | Angus Journal, July 2016

## Stories of the Breed

Angus Media sets the standard for cattle communications and marketing.

**M**ore than 106 years ago, Simpson Angus Ranch planted its roots deep in the Oklahoma soil. As one of the year's Century Award recipients, Charlie Simpson knows beating the odds is no small feat.

"We've been through the Great Depression and the Dust Bowl; the drought we had here in 2006 was the worst I've seen it in my lifetime," Simpson said. "We've been through recessions, depressions, low cattle prices — everything that every rancher has to deal with."

Resilience is an important attribute for anyone making a go in the ranching business, and Simpson and his family certainly have it: "You do the best you can. You kind of roll with the punches, and it just works out."

On farms and ranches scattered across the nation, you'll find stories — stories of innovation and creativity, challenges and opportunity. The Angus Media team delights in sharing perspectives, like Simpson's, through its print and digital programs.

As the marketing and communications branch of the American Angus Association, Angus Productions Inc. (API), the home of Angus Media, strives to be an indispensable partner to the Angus community and beyond. The dedicated team of professionals is responsible for sharing the industry's latest news and information, as well as helping Angus breeders nationwide market their superior genetics.

Angus Media offers communications programs such as the *Angus Journal*®,

## **ANGUS MEDIA**

*Angus Beef Bulletin* and *The Angus Report*, and services including advertising, sale book production, website design and much more.

"The capabilities available in today's media environment are constantly evolving, and it's our responsibility at Angus Media to grow the breed's relevance within the entire beef cattle industry," said Eric Grant, Angus Media president and general manager. "Through our unique range of print and digital platforms, we continue to develop ways for Angus breeders to share their story."

### **Engaging audiences**

From the trusted *Angus Journal* magazine to the weekly television news program *The Angus Report*, thousands



of cattlemen and women rely on Angus Media to stay up-to-date and informed when managing their beef herds.

*Angus Journal* is the American Angus Association's flagship publication, and continued along a path of success in fiscal year 2016. Advertising revenue is up 9%, and 12,500 subscribers look forward to the magazine each month.

The *Angus Beef Bulletin*, a publication produced five times per year, witnessed a major jump in advertising — nearly 11% over the prior year. More than 65,000 commercial cattle producers receive each issue of the complementary *Angus Beef Bulletin*.

Angus Media's writers, designers and editors were also recognized for editorial excellence from the American Agricultural Editors' Association (AAEA) and the Livestock Publications Council (LPC). The team brought home

11 first-place awards from the LPC's annual contest and two first-place awards from AAEA.

It's no surprise that the media landscape is changing. Audiences are looking for content beyond the traditional print avenues, and Angus Media is meeting that call through a focus on multimedia and digital journalism.

*The Angus Report*, the Association's weekly news program, celebrated its fifth anniversary on RFD-TV. The 30-minute show shares the week's top headlines throughout the beef cattle business and reached nearly 2.5 million viewers in fiscal year 2016.

The popular documentary series, *I Am Angus*®, continues to be a favorite throughout cattle country. The program airs four to five times per year and shares the heart of the Angus

community — its people, and their commitment to the ranching way of life. About 70,000 viewers per episode tuned in to watch *I Am Angus* on RFD-TV, as the show traveled to farms and ranches nationwide, and shares the history and heritage of America's last great places.

In addition to Angus Media's extensive communications programs, the team also leads public relations and marketing efforts for the American Angus Association. The breed's national advertising campaign, which consisted of more than 7.9 million impressions in fiscal year 2016, is crafted and managed by in-house writers, designers and photographers.

The Association distributed more than 130,000 news releases, 42,000 photos and fulfilled more than 800 literature requests throughout the past year. Angus articles and news releases dominate the digital media landscape

## Introducing Angus.Media

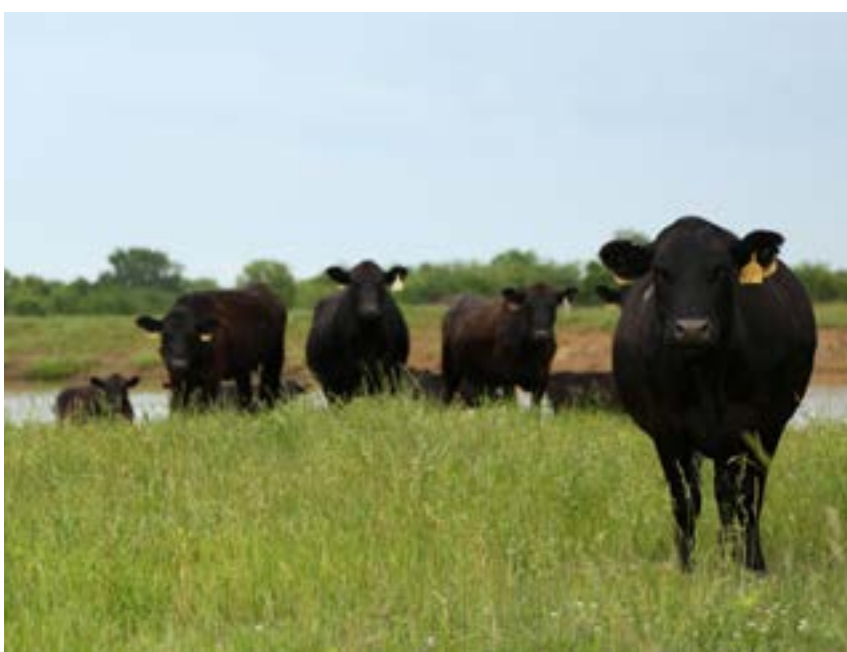


What's your favorite website? Our favorite digital spaces offer interactive ways to learn, engage and be entertained — and not just on computers, but nearly 24 hours a day on smartphones and tablets.

In fiscal year 2016, Angus Media launched its website, [www.angus.media](http://www.angus.media), as a way to share news content and marketing services all in one place.

With something new each day, users can browse sales information, catch up on the latest news, read headlines on the homepage, visit fellow breeder websites or learn how to enhance the brand that surrounds your cattle operation. It's a place to do business, discover new technologies and interact with cattlemen and women from across the country.

AAEA recognized [www.angus.media](http://www.angus.media) with a first-place award during the 2016 Agriculture Media Summit.



when compared to other beef cattle breeds, according to Meltwater News.

Parallel to the organization's Long-Range Strategic Plan, the communications team initiated a comprehensive plan to promote the merits of the Angus breed, and increase audience engagement of Association programs, services and technology.

### Marketing partners

Breeders of all types and sizes trust Angus Media to sharpen their marketing and advertising campaigns. Whether planning a production sale or developing a website for the first time, Angus Media offers a comprehensive approach to promoting Angus herds.

The Special Services department, which includes sale book production, experienced a 36% revenue increase in fiscal year 2016. The team produced 412 sale books for Angus breeders nationwide, with 47 also printed within the *Angus Journal*. Each book managed by Angus Media is also placed online, featured within sale book listings on both [www.angus.org](http://www.angus.org) and [www.angus.media](http://www.angus.media).

Digital sale books posted strong growth in fiscal year 2016 over the

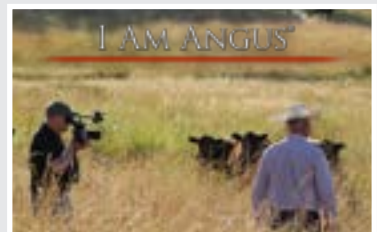
year prior. The digital platform, which ranks among the agricultural industry's most active, attracted 620,000 users who viewed almost 28 million pages of content — an increase of 65% versus the previous year.

Angus Media's Web Services department grew revenue by nearly 28%, and takes on new website development and projects almost daily. Breeder websites hosted by Angus Media were up nearly 40% in web traffic, or about 500 page views per website, throughout fiscal year 2016. The team of expert developers provide a modern approach to website design, and with Information Systems, were also responsible for creating the new format for [www.angus.org](http://www.angus.org) and launching [www.angus.media](http://www.angus.media).

The American Angus Association's premier event, the Angus Convention, is also a top priority for Angus Media. More than 2,100 cattle producers attended the 2015 Angus Convention in Overland Park, Kan., that featured outstanding education, entertaining social events, and opportunities for both Angus breeders and allied industry partners to showcase their products within the trade show.

## Convergent Media

"As people consume more digital media, they don't always consume less print. They're actually consuming more media, and that creates more opportunities to market genetics," said Mitch Rouda, Farm Journal Media. Rouda was selected as the outside board member on the API Board of Directors, a first for the company.





## Billion, with a “B”

*Certified Angus Beef*® brand sales hit 1.015 billion pounds.



**A**ngus producers knew they could create a brand of beef that would sell millions of pounds in a year. But more than a billion? Let’s not get carried away, the organizers would have said. Yet upon reflection, some might have wondered. That year has come and gone.

The average growth over the previous five years has been 3%, but it’s nearly 75% in the last decade of sequential annual records and 12 straight years of sales growth.

### The market moves

After several years of record-high beef prices brought on by tight supplies, the

Seasons bring tradition and drive sales of particular cuts consumers want. The chuck and round owned holiday sales in every category, buoyed by a new smartphone “roasting app” to net an increase of 87 million lb. Summer’s middle meats and ground beef sales carried on, up 11.4% and 7.9%, respectively. Value-added products, including smoked brisket, fresh corned beef and marinated fajita meat, were up 8.9%. Showcasing a taste for exceptional quality, sales of CAB brand Prime soared 26.4% higher for the year.

Capitalizing on its larger reach, the International Division set a record of 138 million lb. sold, a growth of 15%. Leading the charge was Japan, historically important and up by 111% after opening CAB’s Tokyo office in August of fiscal year 2015. Canada continued near the top, as did Mexico with 16% more sales for the year.

As sales grew in the United States and 49 other countries, for the first time since 2000, CAB expanded

production to another country. Four years of close dialogue with people in Russia’s Miratorg company culminated in February with licensing its packing facility southwest of Moscow. The company, which had invested heavily



Certified Angus Beef LLC

The *Certified Angus Beef*® (CAB®) brand’s 38<sup>th</sup> fiscal year carved a spot in history as the first time global sales surpassed 1 billion lb.

For the 18,000 partners joined by a common mission, CAB President John Stika said the milestone brings a reason to celebrate. More than that, it brings appreciation for thousands of individual successes that led to that historic mark.

“This number is significant, not because of what it is, but for what it represents,” Stika said of the actual 1.015 billion lb. sold, up 119 million lb. and 13.3% more than last year.

last fiscal year began with the pendulum swinging back to favor beef marketers. Retailers made it through six years of relatively flat to declining sales to arrive at a year of explosive growth, setting an all-time record with sales of 435 million lb., an 18.5% jump. Of the top 100 retail chains carrying CAB, 70% saw a rise in beef sales.

Not to get lost in that boom, foodservice continued its consistent growth, up 21 million lb. from last year. More than 75% of the brand’s 143 domestic distributors saw their businesses grow in fiscal year 2016, selling 10% more beef to licensed restaurants than last year.





## Fueling Supply

**3.92 million**  
certified carcasses

**28.9% record**  
CAB acceptance rate

in U.S. Angus genetics, now breeds, grows, feeds and harvests the cattle as a member of the American Angus Association, all geared toward the CAB end point.

“The first pound of *Certified Angus Beef* there was produced under stringent brand-assurance protocols involving the same objective camera grading technology used in North America along with a live video feed to our office,” Stika said.

Herd expansion here featured the use of more high-quality Angus genetics. After years of a declining supply, the brand’s 32 licensed packing plants saw an increase in Angus-type cattle identified to 13.6 million, up 6.9%, though short of the 15 million head eligible in 2010.

Higher acceptance rates allowed graders to certify a record of more than 75,000 carcasses per week, totaling 12.6% higher, or 3.92 million for the year to set an annual CAB acceptance rate of 28.9%. That record is more than double the rate of 10 years ago when it was barely above 14%.

### The best to offer

As the impact of drought subsided and replacement heifers entered herds, “Cattlemen didn’t just add more numbers,” Stika said. “They assembled the highest-quality, most Angus-influenced cow herd North America has ever seen.”

Consumers benefited from the greater supply of high-quality beef at a lower price, but herd growth helps producers as well.

Despite four straight years with fewer brand-eligible cattle prior to fiscal year 2016, the number of those accepted kept trending higher. Fine-tuned genetics and management tactics through those years set the stage to ensure that outcome and launched the drive past the billion-pound CAB sales mark once expansion began.

This is perhaps the most purpose-driven expansion ever for the North American beef community.

“A lot is said about herd rebuilding,” said CAB Vice President of Production Mark McCully, “but I think record

acceptance rates are a reflection of cattlemen rebuilding with a purpose and quality in mind.”

That intentionality will position the brand for continued growth — even in a market that’s undergone a dramatic shift, he said.

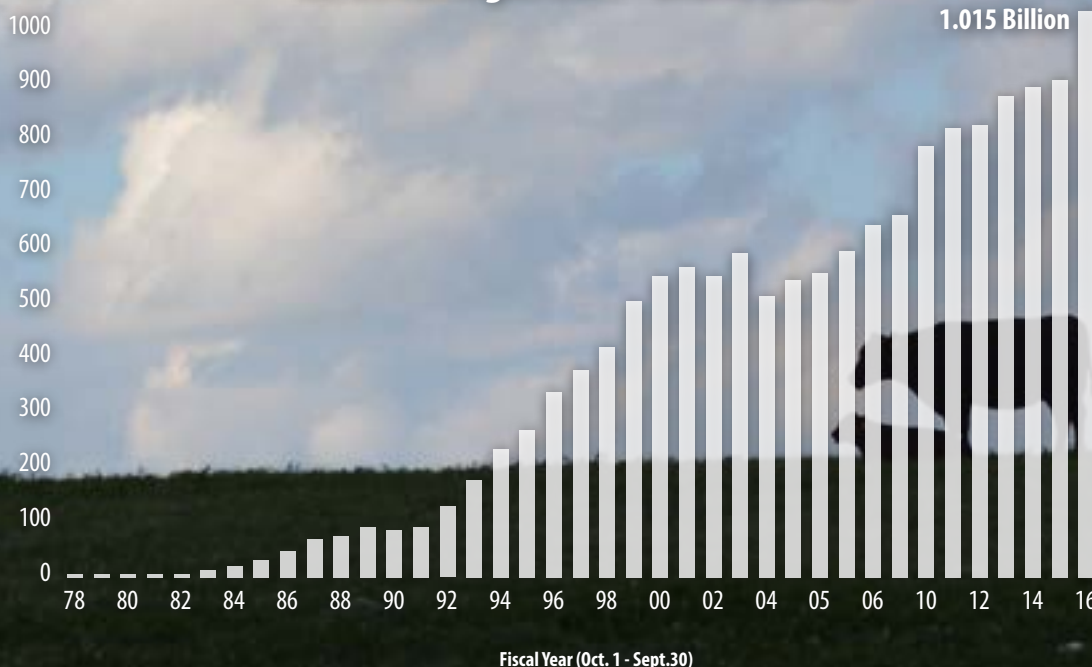
“The consumer isn’t going to go backwards,” McCully said. “No doubt, some leverage has moved away from the cattle producer, but we are still operating in a market that rewards value and quality.”

Those who produce top quality and market in a way that captures that value will stay economically viable.

“As we meet global consumer demand and expose even more people to great-tasting beef, the future for quality-minded cattlemen gets exciting,” he said.

The beef market is a seesaw of sorts: for cattlemen today, for retailers then who struggled to sell high-priced beef. Stika said the key for all is to stay the course through their lows and prepare

## Certified Angus Beef® Brand Sales



Bobcat Angus | Miranda Reiman, Certified Angus Beef LLC

for the future in the highs of the cycle. The long-term outlook reveals a high-quality cow herd that puts producers in position to meet the demands of a global beef market.

“From start to finish in this process, it’s important for everyone to stay connected with each other’s realities. The model for *Certified Angus Beef* is not just about short-term gain; rather it’s about creating an overall pull-through demand for the product that allows everyone to benefit over the long haul,” Stika said.

While all may not be simultaneously successful at a given moment in time, Stika said the system will work as end users base future business decisions on demand growth.

“Cattle prices may be down currently, but quality is still the road for future sustainability of our individual businesses, because consumers demand it,” Stika said.

### CAB Recognizes Quality Producers

Angus producers from coast to coast quietly do their best to bring high-quality beef to the table. Once each year, the CAB brand honors a few at the top of their game.

Abbie and Mark Nelson’s Five Star Land & Livestock, Wilton, Calif., earned the 2016 CAB Ambassador Award for their outreach to the public. State legislators and lobbyists, journalists, Rotary members, eighth graders, politicians and friends always leave the ranch knowing a lot more about the beef community and this family that embodies it.

Winning the Progressive Partner Award was the Backus Quarter Circle U Ranch. Chuck Backus, a nuclear engineer and college provost who took up ranching in the high desert east of Phoenix, has made great things happen with his cow herd. Innovation advanced a herd of nearly 400 cows from no CAB qualifiers 10 years ago to 95% today — and most of those Prime.

Riverbend Ranch received the Seedstock Commitment to Excellence Award. Frank and Belinda VanderSloot and longtime ranch

manager Steve Harrison reflect many years of developing genetics that work for every customer. Although primarily a seedstock business, Riverbend also has a commercial herd, stockers and cattle on feed. The team knows each segment and designs cattle that work best for everyone.

Receiving the Commercial Commitment to Excellence Award, Shawn and Jen Christensen’s Springvale Ranch at Hot Springs, Mont., carries on a family commitment. They use feedback from valued partners up and down the supply chain to make cow herd improvements. Today very few miss the Choice mark with 65% CAB.

Poky Feeders, Scott City, Kan., received the Feedlot Commitment to Excellence Award. Since its founding in the 1980s, manager Joe Morgan and staff have transformed their company into a huge, but family-oriented business dedicated to premium-quality beef. Sales on behalf of 300 customers last year included nearly 45,000 Angus cattle accepted for the CAB brand.

## Better Together

American Angus Auxiliary encourages friendship, continued education and support for Angus youth.

**H**uddled in the meat lab at Certified Angus Beef's Education and Culinary Center, American Angus Auxiliary members learned how quality genetics impact the end-product. Thirty-eight women from 17 states gathered in Wooster, Ohio, for the Auxiliary's third biennial Women Connected conference.

With the goal of connecting like-minded women and empowering them to meet their goals, Women Connected is growing into a popular event, and this year, participants enjoyed learning about the *Certified Angus Beef® (CAB®)* brand firsthand.

"I love being a spokesperson for our way of life to those who have not grown up on the farm or ranch, or around cattle or livestock," said Stacy Erdmann of Lisbon, N.D. "The more I can show others what we do and that we care to continue to educate ourselves for the better of our livestock, hopefully the more we can help others understand our lifestyle."

It's because of conferences and activities like Women Connected that the American Angus Auxiliary is celebrating a growing membership more than 1,000 strong in fiscal year 2016. Representing all regions of the country, Auxiliary members are passionate about the Angus breed and supporting its future generations.

"Seventeen years ago I became a lifetime Auxiliary member," said Shally Rogen, Brandon, S.D., 2015-2016 Auxiliary president. "At the time, I didn't realize the impact it would have on my life. I have a tremendous amount of satisfaction and pride seeing juniors receive Auxiliary scholarships and awards for their hard work and dedication."



### Supporting the future

The Auxiliary launched a new mentorship program during fiscal year 2016, designed to connect young women aged 18-23 with Auxiliary members who share the same career path and, of course, love of Angus cattle. The initiative will help youth members within the breed stay involved as they transition from the National Junior Angus Association (NJAA) into the adult organization. Twenty-three juniors and Auxiliary members are currently involved, and interest continues to grow as the program develops.

The National Junior Angus Show (NJAS) is a big event for the American Angus Auxiliary each year, where they recognize junior members for their dedication to the Angus breed. The Auxiliary presents awards, scholarships and hosts a social event so members can enjoy spending time together while attending the show.

The annual Auxiliary-sponsored All-American CAB Cook-Off at the NJAS celebrated its 33rd anniversary, with 45 teams consisting of 227 participants and six Chef's Challenge entries. Taking a break from the barns, nearly 75 participants attended the Auxiliary's Midyear Meeting and "Color Me Angus" social event at the NJAS.



Auxiliary-sponsored awards presented at the NJAS are the Silver Pitcher awards, Silver Revere Bowls for the top five showmanship winners, Crystal awards, Spader award, Grote awards and the Black Kettle award. The Auxiliary also presented \$15,500 in scholarships to five girls and five boys.

In order to continue and grow that level of support for junior members, the Auxiliary hosts a number of fundraisers throughout the year, including the





Women Connected | Shelby Mettlen, Angus Media | Angus Journal, June 2016



popular Angus Gift Barn, which features stylish Angus-inspired clothing, jewelry, home goods and much more.

A new fundraiser in fiscal year 2016, the “Full Circle Online Auction” raised more than \$10,000 toward the Auxiliary’s ongoing support of Angus youth. More than 20 lots were offered in an online auction that ranged from live animals and embryos, to home décor and Angus collectibles.

“The support we’ve experienced from individuals and families throughout the Angus community has been so encouraging,” Rogen said. “These individuals are now leaders in the industry and have chosen to give back to a program that means so much to them. It’s truly coming full circle.”

### 2016 Scholarship Recipients

- Keegan Cassady, Bloomington, Ill.
- Madison Styles, Brentford, S.D.
- LeAnn Harward, Richfield, N.C.
- Morgan Fruge, Jennings, La.
- Hannah Steph, Tatum, Texas
- Dawson Dal Porto, Brentwood, Calif.
- Benjamin Marsh, Union, Ill.
- Kollin Johnson, Quincy, Mich.
- Wesly Johnson, Pipestone, Minn.
- Craig Stevenson, Hobson, Mont.



## Miss American Angus

As the fifth generation on Clearwater Farm near Springfield, Mo., a passion for the Angus breed has been with Jera Pipkin her entire life. With a giant smile and enthusiastic personality, she captivated the judges and was crowned the 2016 Miss American Angus during the Angus Convention in Overland Park, Kan.

“The red jacket is an opportunity for me to tell my story,” Pipkin said. “It’s an opportunity for me to connect with breeders and younger kids to tell them my own experiences, and how Angus can change your life.”

A student at Oklahoma State University, Pipkin studies animal science and agricultural communications. She is the daughter of Jim and Joann Pipkin.

“Angus is truly the business breed,” Pipkin said. “The Angus breed has functional, quality cattle, but also the people behind it. There’s nothing like my Angus family, and there’s nothing quite like what the breed can provide for you.”

Each year, five outstanding young ladies compete for the prestigious title of Miss American Angus and an opportunity to serve the Angus breed as a spokesperson across the country. Hosted by the American Angus Auxiliary, the program provides one Angus junior the opportunity to serve the breed and assist with shows, educational events and field days to educate others about the beef industry and benefits of Angus genetics.



## Independent Auditors' Report

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

### Report on Financial Statements

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, 2016 and 2015, 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.

### 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

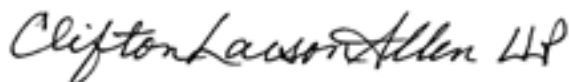
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



St. Joseph, Missouri  
October 18, 2016

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

September 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,883,222	\$ 2,176,086
Accounts receivable	4,015,076	3,577,343
Pledges receivable, net - current portion	347,900	3,588,192
Income tax receivable	-	22,703
Interest receivable	5,654	5,525
Inventories	1,079,358	965,400
Prepaid expenses	977,258	799,420
Deferred income taxes	106,375	91,949
Total current assets	<u>10,414,843</u>	<u>11,226,618</u>
<b>Investments</b>		
Unrestricted - Association	10,996,799	11,042,684
Unrestricted - Subsidiaries	5,630,467	5,474,236
Board designated	14,368,855	13,019,572
Temporarily restricted	1,547,168	879,131
Permanently restricted	12,191,683	7,932,849
Total investments	<u>44,734,972</u>	<u>38,348,472</u>
<b>Property and Equipment</b>		
Buildings and land improvements	6,809,386	6,366,465
Furniture, fixtures and equipment	3,728,929	3,608,488
Electronic data processing equipment	4,493,521	4,332,171
Total, at cost	15,031,836	14,307,124
Less accumulated depreciation	9,519,716	8,918,804
Total property and equipment	<u>5,512,120</u>	<u>5,388,320</u>
<b>Other Assets</b>		
Deferred income taxes	165,991	142,907
Long-term pledges receivable-net	2,660	4,650
Total other assets	<u>168,651</u>	<u>147,557</u>
<b>Total Assets</b>	<u>\$ 60,830,586</u>	<u>\$ 55,110,967</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable - trade	\$ 2,576,839	\$ 2,159,746
Capital lease payable	-	8,085
Accrued liabilities	2,527,398	2,146,752
Taxes payable	38,100	-
Deferred income	1,538,819	1,663,364
Total current liabilities	<u>6,681,156</u>	<u>5,977,947</u>
<b>Long-term Liabilities</b>		
Deferred compensation	423,616	387,690
Accrued post retirement benefits	1,391,607	1,323,000
Capital lease payable - long-term	4,564	5,389
Total long-term liabilities	<u>1,819,787</u>	<u>1,716,079</u>
Total liabilities	<u>8,500,943</u>	<u>7,694,026</u>
<b>Net Assets</b>		
Unrestricted:		
Operating	24,278,048	22,175,268
Board designated	14,024,655	12,705,785
Temporarily restricted	1,571,307	921,034
Permanently restricted	12,455,633	11,614,854
Total net assets	<u>52,329,643</u>	<u>47,416,941</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 60,830,586</u>	<u>\$ 55,110,967</u>

**American Angus Association and Its Subsidiaries Consolidated Statements of Activities and Changes in Net Assets**

Years Ended September 30, 2016 and 2015

	2016	2015
<b>Revenues, gains, and other support</b>		
Royalties	\$22,375,214	\$19,985,097
Advertising income	7,363,779	5,990,406
Registrations	4,488,063	4,270,181
Transfers	972,145	979,155
Artificial insemination certificates	1,569,990	1,498,530
Memberships	1,493,470	1,498,880
Performance programs	1,157,348	1,099,460
AngusSource®	340,919	352,526
DNA tests	7,417,664	7,515,628
Web services revenue	511,818	400,102
Subscriptions	624,721	668,148
Contributions	1,431,618	10,407,250
Account and merchandise sales	682,401	537,219
Software sales	36,125	42,115
Creative media services	836,169	812,237
Support fees	2,125,941	1,651,033
Other income	157,696	182,268
Net investment income	1,812,091	1,745,236
Total revenues, gains, and other support	55,397,172	59,635,471
<b>Expenses</b>		
Certified Angus Beef	23,389,791	21,315,262
Angus Productions	9,755,294	8,486,591
Angus Genetics	7,339,408	7,499,151
Member services	4,220,152	4,059,105
Commercial programs	1,077,197	1,253,521
Industry and member communications	1,419,713	1,062,712
Field services	1,549,634	1,413,530
Activities	2,554,877	2,788,043
Angus Foundation	1,155,239	1,254,506
Total expenses	52,461,305	49,132,421
Changes in net assets before other provisions and net unrealized gain (loss) on investments	2,935,867	10,503,050
<b>Provision for Taxes</b>	(33,620)	(16,450)
<b>Provision for Post Retirement Benefits</b>	(123,676)	(153,472)
<b>Net Unrealized Gain (Loss) on Investments</b>	2,162,823	(2,164,565)
Changes in net assets before income taxes	4,941,394	8,168,563
<b>Provision for Income Taxes</b>	(28,692)	(5,739)
<b>Changes in Net Assets</b>	<u>\$ 4,912,702</u>	<u>\$ 8,162,824</u>
<b>Changes in:</b>		
Unrestricted Net Assets	\$ 3,421,650	\$(1,440,603)
Temporarily Restricted Net Assets	650,273	(238,210)
Permanently Restricted Net Assets	840,779	9,841,637
<b>Changes in Net Assets</b>	<b>4,912,702</b>	<b>8,162,824</b>
Net Assets - beginning of year	47,416,941	39,254,117
<b>Net Assets - end of year</b>	<u>\$ 52,329,643</u>	<u>\$ 47,416,941</u>

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

Years Ended September 30, 2016 and 2015

	2016	2015
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 4,912,702	\$ 8,162,824
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,028,140	1,061,202
(Gain) loss on sale of equipment	8,294	(4,464)
Net realized gains on investments	(955,693)	(1,162,107)
Net unrealized loss (gains) on investments	(2,162,823)	2,164,565
Deferred income taxes	(37,510)	20,538
Contributions restricted for long-term purposes	(830,630)	(9,841,637)
Effect of changes in operating assets and liabilities:		
Accounts and interest receivable	(437,862)	(675,453)
Pledges receivable - net	3,242,282	(3,519,704)
Income taxes receivable	22,703	(3,453)
Inventories	(113,958)	(10,356)
Prepaid expenses	(177,838)	(178,743)
Accounts payable - trade	417,093	(77,738)
Accrued liabilities, deferred income, deferred compensation, and post retirement benefits	324,708	271,733
Taxes payable	38,100	-
Net cash provided (used) by operating activities	5,277,708	(3,792,793)
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of equipment	28,390	29,930
Proceeds from sale of investments	3,344,829	1,867,126
Purchases of property and equipment	(1,188,624)	(1,600,232)
Purchases of investments	(6,576,887)	(8,373,372)
Net cash used by investing activities	(4,392,292)	(8,076,548)
<b>Cash Flows From Financing Activities</b>		
Proceeds from contributions for investment in permanent endowment	830,630	9,841,637
Principal payments on capital lease payable	(8,910)	(8,626)
Net cash provided by financing activities	821,720	9,833,011
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,707,136</b>	<b>(2,036,330)</b>
Cash and Cash Equivalents - beginning of year	2,176,086	4,212,416
<b>Cash and Cash Equivalents - end of year</b>	<u>\$ 3,883,222</u>	<u>\$ 2,176,086</u>

The accompanying notes are an integral part of the consolidated financial statements.



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

September 30, 2016 and 2015

## 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 the 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 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 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 Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

*Unrestricted net assets* include all net assets which are neither temporarily nor permanently restricted. This category includes board designated assets.

*Temporarily restricted net assets* include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. Excess realized and unrealized investment income is added to temporarily restricted net assets, if these amounts have not yet been utilized for their designated purposes, to the extent required by the individual donor agreements. If not required by the donor, these earnings are recorded as unrestricted income.

*Permanently restricted net assets* include contributed net assets, which require by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

## Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and liquid investments with banks, mutual funds, certificates of deposits, 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 statement of financial position.

## Accounts 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.

All other accounts receivable are uncollateralized customer obligations that generally require payment within thirty 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.

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

September 30, 2016 and 2015

## Note 1-Summary of Significant Accounting Policies (Continued)

No provision for doubtful accounts has been provided as management believes that any such amount would not be significant to the consolidated financial statements.

Pledges receivable represent unconditional promises to give that are due within one to three 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 market 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 deposits 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.

## 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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Conditional contributions are recorded when the donor's conditions are met. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily or permanently restricted and increase those net assets classes.

## Advertising Costs

The Association expenses advertising costs as incurred.

## 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 U.S. 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 bases.

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.

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

September 30, 2016 and 2015

## Note 1-Summary of Significant Accounting Policies (Continued)

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, 2016. The Association has no material tax positions at September 30, 2016 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, 2016 and 2015.

## 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*<sup>®</sup>, 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 development of new programs to assist commercial beef cattle producers using Angus genetics.

**AngusSource**<sup>®</sup> AngusSource<sup>®</sup> 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.

**Activities** The activities department coordinates and assists with Association 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 (the Foundation) develops, assists and sponsors educational programs, supports youth programs, and supports scientific research on related beef industry topics.

## Functional Allocation of Expenses

The indirect functional costs of providing the various programs and activities of the Association have been allocated amongst those programs 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.

## Note 2-Accounts Receivable

Accounts receivable consist of the following:

	2016	2015
Trade receivables	\$ 3,458,405	\$ 3,331,240
Royalty receivables	556,671	246,103
Total	<u>\$4,015,076</u>	<u>\$3,577,343</u>

## Note 3-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.

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

September 30, 2016 and 2015

## Note 3-Fair Value of Financial Instruments (Continued)

## 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.

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

	<b>2016</b>			
	<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	\$ 17,141,347	\$ 17,141,347	\$ -	\$ -
Mid cap equity	890,609	890,609	-	-
Small cap equity	433,067	433,067	-	-
International	1,769,445	1,769,445	-	-
World	1,304,090	1,304,090	-	-
Fixed income:				
Mutual funds:				
Corporate	21,734,699	21,734,699	-	-
Total assets	<u>\$ 43,273,257</u>	<u>\$ 43,273,257</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>2015</b>			
	<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	\$ 16,112,855	\$ 16,112,855	\$ -	\$ -
Mid cap equity	1,020,471	1,020,471	-	-
Small cap equity	587,767	587,767	-	-
International	948,118	948,118	-	-
World	1,157,070	1,157,070	-	-
Fixed income:				
Mutual funds:				
Short-term	4,240,404	4,240,404	-	-
Intermediate	2,400,578	2,400,578	-	-
Corporate	9,973,461	9,973,461	-	-
High yield	275,177	275,177	-	-
Total assets	<u>\$ 36,715,901</u>	<u>\$ 36,715,901</u>	<u>\$ -</u>	<u>\$ -</u>

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

September 30, 2016 and 2015

## Note 4-Investments

The value of investments at September 30, 2016 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	\$ 1,251,313	\$ -	\$ -	\$ 1,251,313
Money market accounts	210,402	-	-	210,402
Held at fair value:				
Equity security mutual funds	18,739,704	2,798,854	-	21,538,558
Fixed income mutual funds	21,176,334	558,365	-	21,734,699
Total investments	<u>\$ 41,377,753</u>	<u>\$ 3,357,219</u>	<u>\$ -</u>	<u>\$ 44,734,972</u>

Investment returns for the year ended September 30, 2016 consist of the following:

Interest income	\$ 885,500
Net realized gains	955,693
Investment fees	<u>(29,102)</u>
Net investment income	1,812,091
Net unrealized gains	2,162,823
Net unrealized gains - Deferred compensation investment	<u>45,501</u>
Total investment returns	<u>\$ 4,020,415</u>

The value of investments at September 30, 2015 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	\$ 1,251,510	\$ -	\$ -	\$ 1,251,510
Money market accounts	381,061	-	-	381,061
Held at fair value:				
Equity security mutual funds	18,639,068	1,187,213	-	19,826,281
Fixed income mutual funds	16,927,938	-	38,318	16,889,620
Total investments	<u>\$ 37,199,577</u>	<u>\$ 1,187,213</u>	<u>\$ 38,318</u>	<u>\$ 38,348,472</u>

Investment returns for the year ended September 30, 2015 consist of the following:

Interest income	\$ 615,757
Net realized gains	1,162,107
Investment fees	<u>(32,628)</u>
Net investment income	1,745,236
Net unrealized losses	(2,164,565)
Net unrealized losses - Deferred compensation investment	<u>(10,692)</u>
Total investment returns	<u>\$ (430,021)</u>

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

September 30, 2016 and 2015

**Note 5-Pledges Receivable**

Pledges receivable contain the following:

	2016	2015
Total pledges receivable	\$ 386,400	\$ 3,662,881
Less: allowance for uncollectible pledges	35,500	69,689
Less: unamortized discount	<u>340</u>	<u>350</u>
Net pledges receivable	350,560	3,592,842
Less: pledges receivable, net-current portion	<u>347,900</u>	<u>3,588,192</u>
Long-term pledges receivable, net	<u>\$ 2,660</u>	<u>\$ 4,650</u>

## Amounts Due in:

2017	\$ 383,400
2018	1,000
2019	1,000
2020	<u>1,000</u>
Total	<u>\$ 386,400</u>

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 \$245,000 in these 2016 financial statements. This amount is subject to change relating to any final earnings or costs discovered or incurred by the estate.

**Note 6-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 and are discretionary. Contributions to the Plan are based upon eligible employee salaries and years of service. During the fiscal years ended 2016 and 2015, the Association contributed \$1,071,889 and \$1,001,564, 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 Internal Revenue Code. 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 Internal Revenue Code. 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 \$9,746 in 2016 and \$8,690 in 2015. Amounts are recorded on the Association's records as an investment and a matching long-term liability in the amounts of \$423,616 in 2016 and \$387,690 in 2015.

The Association provides supplemental post retirement 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:

	2016	2015
Accrued benefit obligation:		
Current liability	\$ 54,393	\$ 51,000
Long-term liability	<u>1,391,607</u>	<u>1,323,000</u>
Total	<u>\$ 1,446,000</u>	<u>\$ 1,374,000</u>
Benefit expense (includes benefits paid of \$51,676 and \$49,472 for the years ending September 30, 2016 and 2015, respectively)	<u>\$ 123,676</u>	<u>\$ 153,472</u>
Weighted average assumptions:		
Discount rate	6%	6%
Expected return on plan assets	8%	8%
Benefit obligation - beginning of year	\$ 1,374,000	\$ 1,270,000
Benefits paid	(51,676)	(49,472)
Change in fair value	<u>123,676</u>	<u>153,472</u>
Benefit obligation - end of year	<u>\$ 1,446,000</u>	<u>\$ 1,374,000</u>

**Note 7-Provision for Taxes**

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

	2016	2015
Deferred tax assets:		
Depreciation differences	\$ (64,285)	\$ (67,632)
Difference in revenue and expense recognition	<u>336,651</u>	<u>302,488</u>
Net deferred tax asset	<u>\$ 272,366</u>	<u>\$ 234,856</u>

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

	2016	2015
Current deferred tax asset	\$ 106,375	\$ 91,949
Long-term deferred tax asset	<u>165,991</u>	<u>142,907</u>
Net deferred tax asset	<u>\$ 272,366</u>	<u>\$ 234,856</u>

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

September 30, 2016 and 2015

## Note 7-Provision for Taxes (Continued)

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:

	2016	2015
Computed at federal statutory rates	\$ 29,103	\$ 9,385
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	2,875	1,769
Nontaxable income and nondeductible expenses	5,499	5,746
Prior year under (over) accrual	3,009	(19,521)
Miscellaneous other adjustments	(11,794)	8,360
Total provision for income taxes	<u>\$ 28,692</u>	<u>\$ 5,739</u>

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, 2013.

The Association's operations and activities occur, depending upon the specific year, in a variety of states. A provision of \$33,620 and \$16,450 has been established for sales and use taxes that may potentially be due to these taxing jurisdictions for the years ended September 30, 2016 and 2015, respectively. The total liability booked is \$325,826 and \$292,206 and is reflected as a component of accrued liabilities at September 30, 2016 and 2015, respectively. The Association is not, as of the date of these consolidated financial statements, under examination by any taxing authority.

## Note 8-Net Assets

Board designated net assets were available for the following purposes:

	2016	2015
Research for breed improvements	\$ 1,375,466	\$ 1,246,773
Marketing	816,354	735,569
Information systems	2,739,057	2,482,614
Technology innovations	1,147,829	1,040,107
Supplemental health benefits	1,657,750	1,499,772
Capital replacement	1,970,513	1,785,320
Youth, research, and education programs	1,897,475	1,675,953
Donor relations and general administration	<u>2,420,211</u>	<u>2,239,677</u>
Total board designations	<u>\$ 14,024,655</u>	<u>\$ 12,705,785</u>

Temporarily restricted net assets were available for the following purposes:

	2016	2015
Research	\$ 10,384	\$ 12,545
Youth programs	841,579	607,345
Education	718,844	292,007
Future operations and donor relations	500	9,137
Total temporarily restricted net assets	<u>\$ 1,571,307</u>	<u>\$ 921,034</u>

Permanently restricted net assets represent endowments, which are invested in perpetuity, the income from which is expendable to support specified Foundation programs as follows:

	2016	2015
Research	\$ 64,432	\$ 25,000
Youth programs	1,890,628	1,840,672
Education	10,500,573	9,749,182
Total permanently restricted net assets	<u>\$ 12,455,633</u>	<u>\$ 11,614,854</u>

Investment losses relative to donor restricted funds are born by the individual funds.

The changes in temporarily restricted net assets for the years ended September 30 are as follows:

	2016	2015
Contributions	\$ 22,345	\$ 106,248
Net investment income	378,293	172,347
Net unrealized gain (loss) on investments	434,057	(274,468)
Satisfaction of purpose restrictions	(178,818)	(242,337)
Change of donor restrictions	(5,604)	-
Net change in temporarily restricted net assets	<u>\$ 650,273</u>	<u>\$ (238,210)</u>

The changes in permanently restricted net assets for the years ended September 30 are as follows:

	2016	2015
Contributions	\$ 830,630	\$ 9,841,637
Change of donor restrictions	10,149	-
Net change in permanently restricted net assets	<u>\$ 840,779</u>	<u>\$ 9,841,637</u>

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

September 30, 2016 and 2015

## Note 9-Endowments

The Association's endowments consist of 52 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 (the Board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the 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. Consequently, the Foundation classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of the subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board. 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

Endowment net asset composition by type of fund as of September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ —	\$ 856,229	\$ 12,191,683	\$ 13,047,912
Board designated endowment funds	<u>1,818,060</u>	—	—	<u>1,818,060</u>
Total funds	<u>\$ 1,818,060</u>	<u>\$ 856,229</u>	<u>\$ 12,191,683</u>	<u>\$ 14,865,972</u>

## 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 2015 endowment donor, approximately \$10 million was invested in fixed income type investments as of September 30, 2016.

### 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 2016 and 2015). Because this amount is calculated for a future year, any amount appropriated for the following fiscal years is added to temporarily restricted net assets in the current year.

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.



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

September 30, 2016 and 2015

## Note 9-Endowments (Continued)

Changes in endowment net assets for the fiscal year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - beginning of year	\$ 1,601,757	\$ 160,638	\$ 7,932,849	\$ 9,695,244
Investment return:				
Investment income	82,517	348,047	-	430,564
Net appreciation:				
Board designated	96,213	-	-	96,213
Donor restricted	-	406,799	-	406,799
Total	<u>178,730</u>	<u>754,846</u>	<u>-</u>	<u>933,576</u>
Contributions	93,973	13,660	4,258,834	4,366,467
Appropriation of endowment assets for expenditure	<u>(56,400)</u>	<u>(72,915)</u>	<u>-</u>	<u>(129,315)</u>
Net assets - end of year	<u>\$ 1,818,060</u>	<u>\$ 856,229</u>	<u>\$ 12,191,683</u>	<u>\$ 14,865,972</u>

Endowment net asset composition by type of fund as of September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 160,638	\$ 7,932,849	\$ 8,093,487
Board designated endowment funds	<u>1,601,757</u>	<u>-</u>	<u>-</u>	<u>1,601,757</u>
Total funds	<u>\$ 1,601,757</u>	<u>\$ 160,638</u>	<u>\$ 7,932,849</u>	<u>\$ 9,695,244</u>

Changes in endowment net assets for the fiscal year ended September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets - beginning of year	\$ 1,612,058	\$ 358,255	\$ 1,741,787	\$ 3,712,100
Investment return:				
Investment income	90,377	140,884	-	231,261
Net appreciation (depreciation):				
Board designated	(107,210)	-	-	(107,210)
Donor restricted	-	(230,895)	-	(230,895)
Total	<u>(16,833)</u>	<u>(90,011)</u>	<u>-</u>	<u>(106,844)</u>
Contributions	76,732	9,507	6,191,062	6,277,301
Appropriation of endowment assets for expenditure	<u>(70,200)</u>	<u>(117,113)</u>	<u>-</u>	<u>(187,313)</u>
Net assets - end of year	<u>\$ 1,601,757</u>	<u>\$ 160,638</u>	<u>\$ 7,932,849</u>	<u>\$ 9,695,244</u>

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

September 30, 2016 and 2015

## Note 10-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 32% of the Association's total revenues, gains, and other support and 39% of the Association's receivables for the year ending September 30, 2016. Royalties from four customers represented 29% of the Association's total revenues, gains, and other support and 38% of the Association's receivables for the year ending September 30, 2015.

## Note 11-General and Administrative and Fundraising Expenditures

The Association conducts activities that include requests for contributions, as well as program, management and general components. General and administrative and fundraising expenses are allocated to program services based on allocation formulas believed by management to be representative of the actual efforts required by each program. Total costs related to each of these categories of costs were:

	2016	2015
General and administrative	\$ 3,851,104	\$ 4,033,757
Fundraising	304,989	345,684
Program services	<u>48,305,212</u>	<u>44,752,980</u>
Total expenses	<u>\$ 52,461,305</u>	<u>\$ 49,132,421</u>

## Note 12-Advertising

Advertising expense for the years ending September 30, 2016 and 2015 totaled \$4,678,688 and \$4,053,696, respectively.

## Note 13-Supplemental Cash Flow Disclosures

Cash paid for income taxes was \$5,397 and \$-0- in 2016 and 2015, respectively.

Cash paid for interest was \$330 and \$614 in 2016 and 2015, respectively.

## Note 14-Capital Lease

The Association leases equipment under an agreement that is classified as a capital lease. The leased asset acquired during the year ended September 30, 2012 had a cost of \$48,635 and accumulated depreciation of \$44,582 and \$34,855 at September 30, 2016 and 2015, respectively. The total balance due on this lease was \$4,564 and \$13,474 at September 30, 2016 and 2015, respectively, with quarterly payments of \$2,310. The interest on this lease is imputed at 3.25%. Interest paid on this lease was \$330 and \$614 at September 30, 2016 and 2015, respectively.

Minimum future lease payments under the capital lease, at September 30, 2016, are \$4,564 for 2017.

## Note 15-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 16-Contingencies

The Foundation has approved various grants totaling approximately \$166,500 for specific research projects. 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.

There are various legal actions that have arisen in the ordinary course of business and are now pending against the Association. The outcome of any lawsuit or claim which is pending or threatened is unknown as of the date of these statements.

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 \$75,000 per employee and \$888,000 for the insured group. At September 30, 2016, there were no material claims filed subsequent to the year end that related to the respective fiscal year. An accrual of \$347,264 is included in the Accrued Liabilities on the consolidated statement of financial position at September 30, 2016. The expense for the year ended September 30, 2016 is \$735,000.

## Note 17-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 were approximately \$3,700,000 of collected balances in excess of FDIC limits at September 30, 2016.

Approximately 74% of the Association's contribution revenue during the year ended September 30, 2016 was from three donors. Approximately 92% of the Association's contribution revenue during the year ended September 30, 2015 was from one donor.

Approximately 70% of the Association's pledges receivable at September 30, 2016 was from one donor. Approximately 97% of the Association's pledges receivable at September 30, 2015 was from one donor.

## Note 18-Subsequent Events

Management evaluated subsequent events through October 18, 2016, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2016, but prior to October 18, 2016, that provided additional evidence about conditions that existed at September 30, 2016, have been recognized in the 2016 consolidated financial statements.

**1883**

- Breeders form American Aberdeen-Angus Breeders' Association.

**1950**

- First rules approved allowing artificial insemination (AI) for the production of registered Angus cattle.

**1968**

- Annual registrations reached an all-time high of 406,310.

**1972**

- Richard Willham presents National Sire Evaluation proposal, and the Board approved the program.

**1979**

- First *Angus Journal*® published by a for-profit subsidiary of the American Angus Association.
- The National Junior Angus Association (NJAA) approved by the Board of Directors.

**1980**

- Angus Foundation chartered as a non-profit educational foundation to support youth, education and research activities.
- One million pounds of CAB® product sold.

**1985**

- National Cattle Evaluation adopted.

**2007**

- Established Angus Genetics Inc. (AGI) to assist in the genetic evaluation of economically important traits.

**2014**

- Angus Media was founded and combined efforts of the Association's public relations department and Angus Productions Inc. (API).

**2015**

- First low-density (LD) genomic tests offered to Angus breeders.

**2016**

- American Angus Association celebrates 60 years in Saint Joseph, Mo.
- CAB® product sales surpass 1 billion lb.
- Association Board of Directors adopts Long-Range Strategic Plan
- AGI reaches 100,000 genomic tests in single year
- Registrations top 330,000 and mark 15th largest year ever



**1902**

Association's headquarters moved to Pure Bred Live Stock Record Building in Chicago Union Stock Yards.



**1951**

Artist Frank Murphy illustrates his first Angus advertisement.



**1977**

Board approved the Certified Angus Beef Program.



**1956**

Association's headquarters moved to Saint Joseph, Mo., and opened for business on June 25.

Annual Report | American Angus Association® Fiscal Year 2016

**Acknowledgements**

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## **OUR MISSION**

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.

**American Angus Association®**

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