

2018 Annual Report

Raising Standards



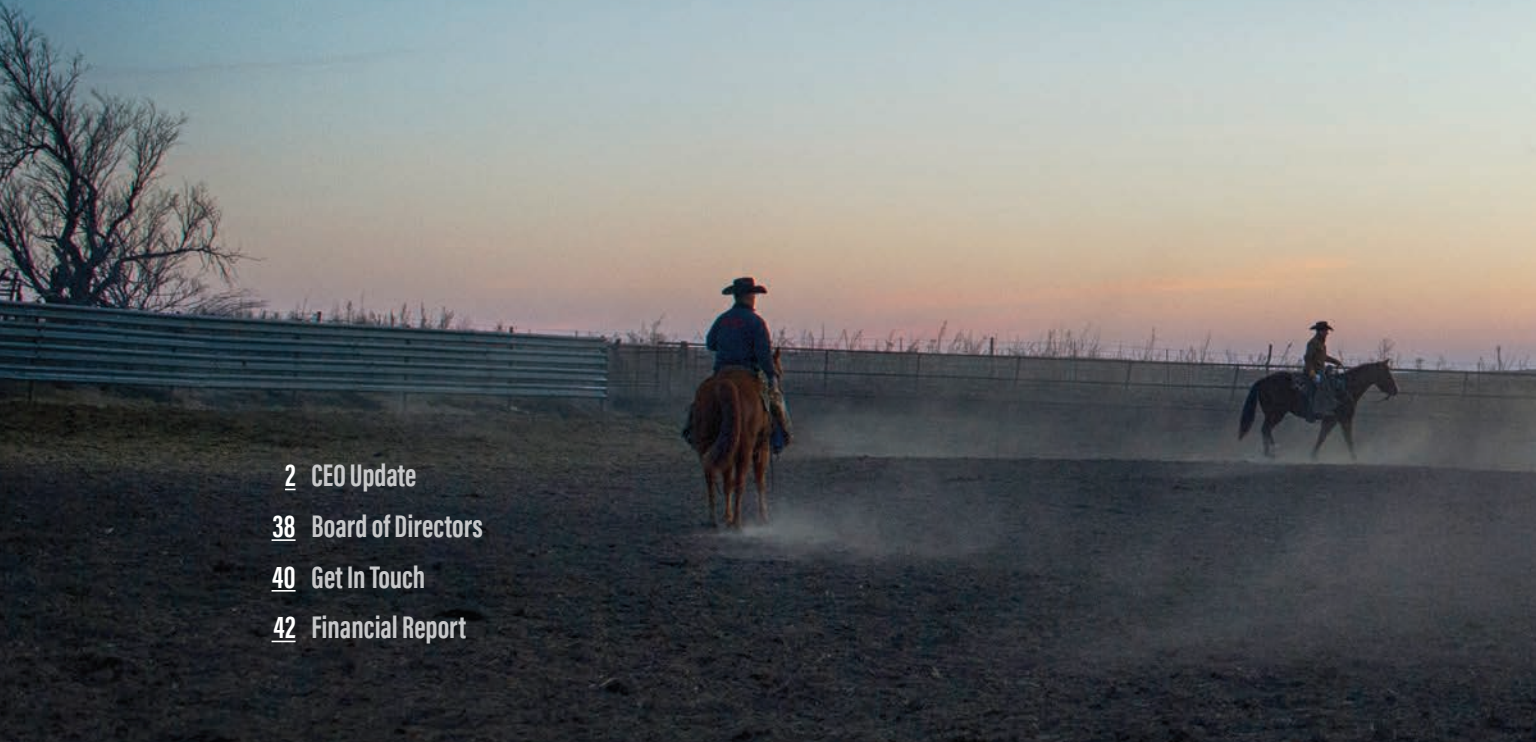
ANGUS

2018 Annual Report

Raising Standards™

<u>Cattle Care</u>	<u>6</u>
<u>Next Generation</u>	<u>16</u>
<u>Community</u>	<u>26</u>
<u>Environment</u>	<u>34</u>

<u>2</u>	CEO Update
<u>38</u>	Board of Directors
<u>40</u>	Get In Touch
<u>42</u>	Financial Report



Angus By The Numbers

1.215 Billion Pounds
of Certified Angus Beef sold
+8.1% from 2017

REGISTERED ANGUS TRANSFERS
75,166 Cows
80,639 Bulls

Total Genotyped Animals: 542,604
a 42% increase from 2017

Genomic
Tests
Submitted:
162,469
*With a
28.3%
increase
from
2017*

Total Registrations

2014	298,369
2015	320,362
2016	334,607
2017	332,421
2018	327,067

Angus Media Sale Book
page views

42 Million

*Up from
38 million
in 2017*

Top 5 States for Number of Head Registered

Montana
30,445

Nebraska
25,708

Texas
22,735

South Dakota
21,698

Missouri
20,099

CEO Report

It is my privilege to report that 2018 was another outstanding year for the American Angus Association®.

As herd expansion continued and record amounts of beef were produced, Angus genetics continued to spread its influence in the beef industry. Registrations totaled 327,067 head, which represents the 18th largest year in the Association's 135-year history. The Association launched their new feeder cattle program, Angus Link,SM while also rebranding AngusSource® and expanding its offering to include five USDA-approved process verifications. Finally, the new MaternalPlus® rebate program was launched, resulting in a 21.9 percent increase in the number of cows enrolled in the program.

Angus Genetics, Inc. (AGI) established a new record in genomic testing with genomic profiles totaling more than 162,000, a 28.3 percent increase above fiscal year (FY) 2017. And while members tested more animals, they saved money as the price reduction for genomic profiles implemented last year resulted in savings of approximately \$1,500,000.

In addition, the weekly Angus genetic evaluation grew to 540,000+ genotyped animals, more than three times the next largest beef genomic evaluation.

Also noteworthy was the launch of Angus GS,TM the first Angus-specific genomic profile. Designed by AGI and Neogen GeneSeek, Angus GS includes all markers currently used in the Angus evaluation, plus a broad array of research markers to drive development of genomically enhanced expected progeny differences (EPDs) for new traits like fertility and tenderness. AGI also worked with Zoetis to launch the new HD 50K® for Angus, which offers the same markers for the current genetic evaluation as Angus GS.

Certified Angus Beef® (CAB®) celebrated its 40th anniversary with another outstanding year as 1.21 billion lbs. of CAB product was sold. Sales grew by 8 percent versus FY 2017 while a new monthly record in August was established when 112.7 million pounds were sold. Almost 19 percent of all fed cattle harvested qualified for the brand, and on average, nearly 100,000 head per week qualified as CAB.



Likewise, Angus Media achieved major milestones. Both the *Angus Journal*® and the *Angus Beef Bulletin*® unveiled dramatic new designs, which were met with great acclaim. And advancements in technology allowed video clips to be added to online sale books, which aided in the growth of page views from 38 million page views last year to 42 million page views in FY 2018.

The Angus Foundation continued its mission of investing in education, youth and research. The 50th Anniversary of the National Junior Angus Show (NJAS) was a crowning achievement and a great success. Adult education and Angus youth programs like the Women Connected Conference, Beef Leaders Institute (BLI), Leaders Engaged in Angus Development (LEAD) and the National Junior Angus Association's new State Training and Angus Retreat (STAR) Conference were all made possible by generous restricted and unrestricted gifts by caring donors.

As we celebrate our numerous successes, it's more important than ever that we don't rest on our laurels but continue to

plan for the future. In the coming year, you'll be hearing a lot about the Association's Belief Statement, which is built upon four key pillars: proper cattle care; empowering the next generation of beef producers; supporting our local communities; and, our commitment to stewardship of our natural resources. While our Belief Statement may sound new, those four pillars represent what we do every day – as an industry, as a breed and as an Association. We're Angus, and just as we have in the past, we'll continue to set standards that drive our leadership position and ensure a prosperous future for the Angus family.



Allen Moczygamba, CEO
American Angus Association



Raising Standards™

Inspired thought and responsible action.

Cattle care. Next generation. Community. Environment. Those committed to the Angus breed know these pillars well. Together, they yield leadership. The ranch families that comprise the American Angus Association work daily to exhibit each of these in their care for the cattle, the land and the communities they serve. They're at the heart of a long-standing breed and brand that subscribe to only the highest standards — standards of quality for Angus cattle, of proper care, of leadership among peers, of beef for consumers. It's a passion for excellence, and it's at our core.

Our ranchers, employees and partners work to set and exceed these standards by giving our best. That means a commitment to good citizenship built on integrity and respect. Our livelihoods and consumer satisfaction depend on it. In short: We take our responsibilities seriously, and in this way, we do more than raise Angus. We raise standards.



Cattle Care

We believe ... Care and respect for cattle are not just responsibilities, but fundamental to the values of ranchers and others throughout the beef community. Caring properly for cattle is a time-honored commitment woven into ranchers' daily lives. We connect leaders and experts from gate to plate, helping them understand and implement the standards and leading practices necessary to deliver high-quality beef. We expect and encourage all members of the beef community to uphold the highest level of care.

Next Generation

We believe ... Empowering and educating the next generation paves the way for continued excellence across the beef community. Connecting tomorrow's pioneers and today's leaders will allow the beef community to grow, thrive and remain relevant into the future. Young ranchers and beef professionals will be the ones to preserve a treasured way of life, and young chefs will showcase beef in new, creative ways. Vibrant opportunities, educational support and scholarships will equip tomorrow's leaders with the resources to pursue their passions and ensure the future of our entire community remains bright for future generations.

Community

We believe ... Caring for and supporting our community on every level starts by encouraging our own team members to work within their families and neighborhoods in ways that are meaningful to them. We are committed to the growth and health of our employees both professionally and personally, knowing that a supportive atmosphere allows inspiration, passion and purpose to flourish. Working together, we are better able to help others across the larger brand and beef communities support their own missions and achieve goals much more effectively than would be possible alone.

Environment

We believe ... Resources should be used mindfully, and everyone can contribute to positive change and a brighter future through simple, everyday choices. These actions can inspire others to be more conscious of their impact and act as good stewards of the resources and world around them. In the beef community, it's our privilege and responsibility to take good care of the land on which our livelihoods and community rely. We are taking mindful steps to reduce our environmental impact and seek opportunities to support others in the beef community in their own conservation efforts.

Cattle Care

Follow the Leader



It might be hard for people to wrap their minds around the concept of moving cattle by “leading” from the front of the herd.

We’re talking about handling cattle in such a way that they perceive the handler as their leader. Nebraska-based veterinarian and stockmanship clinician Tom Noffsinger says this kind of leadership skill is really useful to feedlot personnel.



Cattle Care

The concept of leading cattle is now part of the stockmanship and animal welfare training sessions Noffsinger provides to client feedyards through the services of Production Animal Consultation (PAC). During this spring's PAC Beef Summit hosted in Kearney, Nebraska, both Noffsinger and Australian veterinarian and PAC colleague Kev Sullivan talked about the advantages of "leading" cattle.

In tag-team fashion, Noffsinger and Sullivan explained that learning to lead is part of a journey toward more effective stockmanship that enhances worker safety, animal performance and opportunity for increased income on each individual operation.

Stockmanship remains a function of successful communication with cattle. The key to communication is understanding prey animal behavior. A successful handler uses that understanding in the application and release of the pressure of his or her presence, through handler body position,

posture and distance from the animals, to direct and control animal movement.

"For a long time, we have talked about the advantage of working cattle from the side, where they can see you and the direction you want them to go at the same time, rather than trying to do it from directly behind them," Noffsinger says. "But there is value in working from the front and being able to draw cattle to you. Actually, you draw the leaders of the herd, and they draw the others."

It's not something accomplished only by gifted people. Almost anyone can do it, provided they approach the job with the right state of mind and are willing to spend the time needed to become proficient.

There's the rub. Most feedyard crews are rushed for time, and many are short on experience. They don't spend the time necessary to develop stockmanship skills to a higher level. Queensland-based Kev Sullivan says many Australian feedyards have accomplished handlers capable of leading cattle, rather than driving them. It's a practice they implement with newly arrived calves, as part of the acclimation process.

Programs for Commercial Cattle Producers

Introducing the new American Angus Association feeder cattle program, Angus Link, and expanded Process Verified Programs (PVP) through AngusSource. The comprehensive AngusSource programs and services are aimed at improving profitability in the commercial sector of the cattle industry. Program options include Age and Source, Non-Hormone Treated Cattle (NHTC), AS-NeverEver3 (NE3), AS-Cattle Care and Handling and AS-Calf Management. Angus Link gives commercial producers the information they need to make their next calf crop better than the last. The program's three simple scores, backed by the world's most comprehensive genetic database, enable producers to effectively communicate their calf crop's genetic performance potential to prospective buyers and help them capture value on sale day.



\$Value Index Input

AGI is reviewing Angus \$Values to ensure we accurately meet the needs of both purebred breeders and commercial cattlemen. AGI has teamed up with AbacusBio Ltd. for this important project.

To get input that will help improve the Angus \$Value indexes, and in turn the quality of cattle in producers' herds, AGI launched a survey that is a critical component of the project to review the Angus \$Value indexes. With new EPDs now in place, such as heifer pregnancy and docility, their impact on the \$Values could be included in an updated model.

Once the survey results are collected, the board of directors and AGI will analyze the results to begin updating the \$Value Indexes, making the tools available to producers to improve their herds.



Cattle Care

“Upon arrival, calves are introduced to a leader — someone to say, ‘G’day mate. Let me show you around our five-star resort,’” Sullivan adds. “The cattle are welcomed and shown where to go by someone they trust, and they gain trust and confidence in their surroundings.”

According to Sullivan, properly acclimated calves will eat more, sooner, and aggressively chew their cud, which

releases endorphins and halts the release of stress hormones. A goal of acclimation is to establish homeostasis of the digestive system and encourage newly arrived cattle to eat and drink.

He says leading cattle is one more facet of stockmanship that can enhance the acclimation process and ultimately improve cattle feeding performance while reducing sickness and the need for treatment. a



Focus on Feet

This year, AGI released two new foot score research EPDs, the first of their kind in the U.S. for beef cattle. The American Angus Association has been collecting foot scores since 2015, with approximately 12,000 data points sent in. Members have reported two scores for claw set and foot angle. The pair of scores are based on a scale from one to nine, with five being ideal for both traits. Last summer, AGI initiated a research analysis on yearling foot scores with the collected data. Since the preliminary analysis, AGI worked alongside the American Angus Association's Information Systems team to develop the appropriate genetic evaluation model to predict foot score selection tools and now has research EPDs available. Unlike a production EPD, a research EPD does not get updated weekly but can be updated periodically as more data flows into the database.



For Angus. By Angus.

AGI and Neogen GeneSeek Operations launched Angus GS, a new genomic profiler for Angus seedstock cattle this year. Built specifically for the Angus breed, Angus GS is a big part of the Association's strategic plan for breed improvement. Angus GS, sold exclusively by AGI, is an affordable tool that will empower genomic selection for Angus breeders and accelerate breeding progress. Cattle producers use DNA to predict traits bulls or cows will pass on to offspring, helping them make breeding and mating decisions.



Committed to Raising 'Em Right

This year, CAB honored five different families who have increased brand supply through their efforts at different points in the production chain. They accepted their awards during the brand's Annual Conference in Maui, Hawaii, Sept. 26-28.



Commercial Commitment to Excellence:

David Taylor and Phillip Smith

STP Cattle, Cecil, Arkansas

In 2009, cousins David Taylor and Phillip Smith bought a tract of land, combined their resources and evolved a herd of sale-barn cattle into the forward-thinking commercial operation, STP Cattle. Use of technology and artificial insemination help the cattlemen earn additional premiums at harvest as a recent closeout says 73 percent achieved CAB and Prime. "Having pride in what you are producing is important," Taylor says. "We want to grow something Phillip and I wouldn't hesitate to eat ourselves."



Feedyard Commitment to Excellence:

Grant and Katie Bledsoe

Bledsoe Cattle Company, Wray, Colorado

The third-generation cattle feeders are carrying on the tradition of buying good cattle from good people. They sell 95 percent of the cattle out of their 7,000-head yard on a grid, so they source a lot of Angus-based cattle from consistent suppliers year after year. "It's amazing how quick those genetics have changed," says Grant, noting the improvements.



Seedstock Commitment to Excellence:

Steve and Laura Knoll

2 Bar Angus, Hereford, Texas

The Knoll family cares about their family, their cattle and the CAB brand. "Cattle that marble don't cost any more to have in your herd," Steve says. Proof that quality is more than an afterthought? The 117 bulls in their March catalog had an average marbling EPD of 0.93, compared to a breed average of 0.53.



Progressive Partner:

Kenny and Janyce Hinkle

Hinkle's Prime Cut Angus, Nevada, Missouri

A first-generation seedstock breeder, Kenny Hinkle thought his herd would always be small, but he was determined that they would be some of the best. Along with wife Janyce, they built an operation that markets 300 Angus bulls annually utilizing 100 percent artificial insemination and embryo transfer. "Some people call them carcass cattle; I just call them good cattle," Hinkle says. "Don't tell me we can't raise cattle in this breed that do everything and still have marbling."



Ambassador Award:

Joe & Robin Hampton

Back Creek Angus, Mount Ulla, North Carolina

Joe and Robin live in the Piedmont region of North Carolina, where agriculture and people collide – nearly 8 million people surround their tiny town. From chefs-in-training to kids, the press and moms, the couple has opened their land and pastures to groups interested in where their beef is born. "There's a value to the industry if people like us share what we do every day," Joe says.

RANCHERS, FEEDERS AND PACKERS GATHER to make better beef

This year, the Feeding Quality Forum (FQF) underwent a redesign to place more emphasis on how partnerships in the industry can increase the supply of high-quality beef. It was the first time in its 13-year history that cow-calf producers were a part of the target audience for the feeding conference.

“While there are many management practices feeders can do to influence quality, we know it starts with a solid genetic foundation,” says Justin Sexten, CAB Supply Development director. “By connecting the two groups with a quality-focused program suited to both, we offer insight into how each segment can affect the other, and how they might work together.”

A dozen speakers covered everything from vitamin and mineral strategies to vaccination tweaks and marketing strategies.

The format change looks like it accomplished what the CAB Supply Development team hoped it would, Sexten says. “People left with some knowledge they didn’t have before and hopefully more questions for their own team of experts, too.”



Building Better Herds



To help producers capture and get the most out of reproductive trait data, the American Angus Association launched MaternalPlus. MaternalPlus provides Angus breeders and their customers the information they need to make effective selection decisions. It's a voluntary, inventory-based reporting system designed to capture additional reproductive trait data and, ultimately, expand reproductive and lifetime productivity tools. This year, the new MaternalPlus rebate program was launched, resulting in a 21.9 percent increase in the number of cows enrolled in the program. More cows enrolled in the program means more data points, which will continue to improve Angus genetics in the future.

“Opportunity is often missed because it is dressed in overalls and looks like work.” THOMAS EDISON

This quote from Edison is the signature on Michele Meyer’s email, a way to remind everyone that hard work is often not glorifying or dazzling. This mindset she has passed on to her 14-year-old daughter Alexis Koelling, Curryville, Missouri, who is working to make her mark on the Angus breed and the industry as a whole.



830

Next Generation

At the age of nine, her step-dad, Brock Meyer, gifted her with her first Angus heifer, and from there, she was hooked, not just on the show but on the cattle themselves.

“I still go out with Brock in the morning to see the cows and how they do their part on the commercial side, and seeing that helps me balance their importance with show cattle as well,” Alexis says.

“I try to humbly brag, but I think what makes Lexi unique is that she loves to show, and she loves the show ring,” Michele says.

Clint and Rachel Hunter, past Missouri Angus advisors for three years, also spoke highly of Alexis and her drive, both in the show ring and beyond.

“While she does have an extreme passion for showing, it goes beyond that,” Clint says. “It’s one thing to grab a halter, take them in the ring and show them well. It’s another thing to also put in the hard work to get them ready for the show, and she’s always willing to put in the work.”

Once she puts her mind to something, Alexis isn’t afraid to put in the hard work to achieve her set goals.


Going into the Missouri state livestock judging contest, she was nervous, but also

knew that it was her first year, and she would just do the best she could. To her surprise, she was announced as the State Livestock Judger at age 14.

“She had prepared on her own, but she had just gotten started,” Michele says. “But, she won it. It was such an incredible surprise. It’s just proof that if you put your heart and soul into something, it will pay off in one way or another.”

Excited for her future, she already has ideas of her career: selling haying equipment for Vermeer or as a feed sales representative. She has learned that the way to achieve her goals is to work hard for them, and she’s not slowing down now.

“I’ve been really blessed by all the opportunities given to me, and I remember them every time I step into that ring,” she says.

With the opportunities given to her that she has taken full advantage of, Alexis has begun to make her mark on the Angus breed. It is the efforts of the American Angus Association to cultivate strong leaders in the breed, the industry and the community that allow for young leaders like Alexis to prosper. 

Ensuring Education

Education is at the heart of progress and at the heart of the American Angus Association. Through events such as Beef Leaders Institute (BLI), representation at Young Cattlemen's Conference (YCC), Cattlemen's Boot Camps and Women Connected Conference, cattlemen and women can learn, grow and network to become the leaders of today. Junior events such as Leaders Engaged in Angus Development (LEAD), Raising the Bar and the National Junior Angus Board, among others, help juniors develop into the leaders of tomorrow.



Next Generation

The American Angus Association works hard to cultivate a future generation of industry leaders through the summer internship program. There were 13 interns and one part-time hire this summer working in several different departments and entities of the Association including, Angus Media, Angus Foundation, AGI and CAB.

Future Angus Leaders

Madeline Bauer

Ohio State University – Events and Education

Chloé Fowler

California Polytechnic State University,
San Luis Obispo – Communications

André Garcia

Univeristy of Georgia – AGI

Megan Green

Kansas State University – Communications

Rudy Pooch

University of Nebraska-Lincoln – Angus Foundation

Megan Silveira

Oklahoma State University – Angus Media

Whitney Wilkinson

Oklahoma State University – Events and Education

CAB Interns

Austin McCully

Case Western Reserve University – CAB Information Systems

Diane Meyer

Texas Tech University – CAB Producer Communications

Jill Seiler

Kansas State University – CAB Producer Communications

Sarah Moyer

Kansas State University – CAB Producer Communications

Paige Clayton

Ohio University – CAB Digital Marketing

Brianna Gwartz

Ohio State University – CAB Brand the Barn



Supporting Students

In addition to internships, the American Angus Association and Angus Foundation also award scholarships to assist undergraduates and graduates in finishing their educations.

This year, **111 Scholarships**
and awards were given to undergraduate and graduate students totaling **\$225,500.**

Angus
Foundation
EDUCATION • YOUTH • RESEARCH

Next Generation

Genotype Milestone Ensures Next Generation of Genetics

The Angus genetic evaluation surpassed 500,000 genotypes in the database this year, reaching more than 540,000 by the end of the fiscal year. A dual collection partnership between the American Angus Association and the Canadian Angus Association, the genotypes collected help create benchmarks that move the Angus breed forward. Starting in 2010, the Angus genetic evaluation was the first in the beef cattle industry to be updated on a weekly basis. To date, the Angus extended pedigree includes more than 22 million animals. The evaluation consists of 8.9 million weaning weights, 1.58 million calving ease scores from first-calf heifers, 282,000 docility scores, 120,054 carcasses, 70,000 heifer pregnancy records, and 22,000 individual feed intake records.

Living The Dream In 2018

The 2018 National Junior Angus Show (NJAS) in Madison, Wisconsin, marked the 50th anniversary for the event. The week at the NJAS is the biggest stage for National Junior Angus Association members to showcase their dedication, determination, sportsmanship and work ethic. It's their time to shine.

"This is the show we always planned for," says Doug Satee, NJAS Owned Heifer judge. "This is the big event right here."

Exhibitors from 32 states came from across the country to compete for the title of grand champion while creating memories that will last a lifetime.

"This is the best junior show in the country," says Miles Shout, NJAS Steer judge. "This is bigger than the buckles and the banners."

Junior members also had the opportunity to participate in different contests throughout the week, including the Auctioneering Contest, which drew a standing room only crowd to hear the next generation of auctioneers try their hand at selling behind the block.

First-Ever STAR Conference

“The STAR conference
exceeded any and all
expectations we had.”



— State Training & Angus Retreat —

National Junior Angus Association (NJAA) state association officers and advisors traveled to the American Angus Association headquarters March 22-25 in Saint Joseph, Missouri, for the inaugural State Training and Angus Retreat (STAR) conference.

Twenty-two NJAA members and five adult leaders from 13 states were represented at the conference. Attendees were given the opportunity to tour the Association office, network with staff and partake in leadership training exercises. Educational sessions ranged from public speaking, facilitating events, goal setting and brainstorming to social media etiquette, working show rings and resolving conflict.

NJAA Board Member and Membership Director Michaela Clowser crafted the idea for the first-ever STAR conference and helped see it to fruition.

“The STAR conference exceeded any and all expectations we had,” says Association Events Coordinator Caitlyn Brandt. “The conference was extremely successful with nothing but good comments from both advisors and the junior members. Not only was the educational content extremely useful, but the networking and brainstorming among juniors from across the country was invaluable.”

Next Generation

A Man of Stories and Mentorship

Steve Suther's mom introduced him to a dictionary at age 6. By high school, he was the FFA reporter and yearbook editor, but the Kansas farm boy saw writing as more of a hobby than a career option. Fast forward four decades and the senior editor for CAB looks forward to full-time retirement as one of the most experienced wordsmiths in the cattle business. Under Suther's leadership, CAB started a writing internship program in 2000. More than 45 young people have worked with him during their college careers. His influence is spread throughout the industry, with former interns working for CattleFax, the Livestock Marketing Association, Farm Journal publications and several within the ranks of CAB. For his ability to disseminate acutely relevant information to cattlemen while growing potential communicators along the way, Suther became the 30th inductee into the Livestock Publications Council (LPC) Hall of Fame. He accepted the honor at the Ag Media Summit in Scottsdale, Arizona, in August.

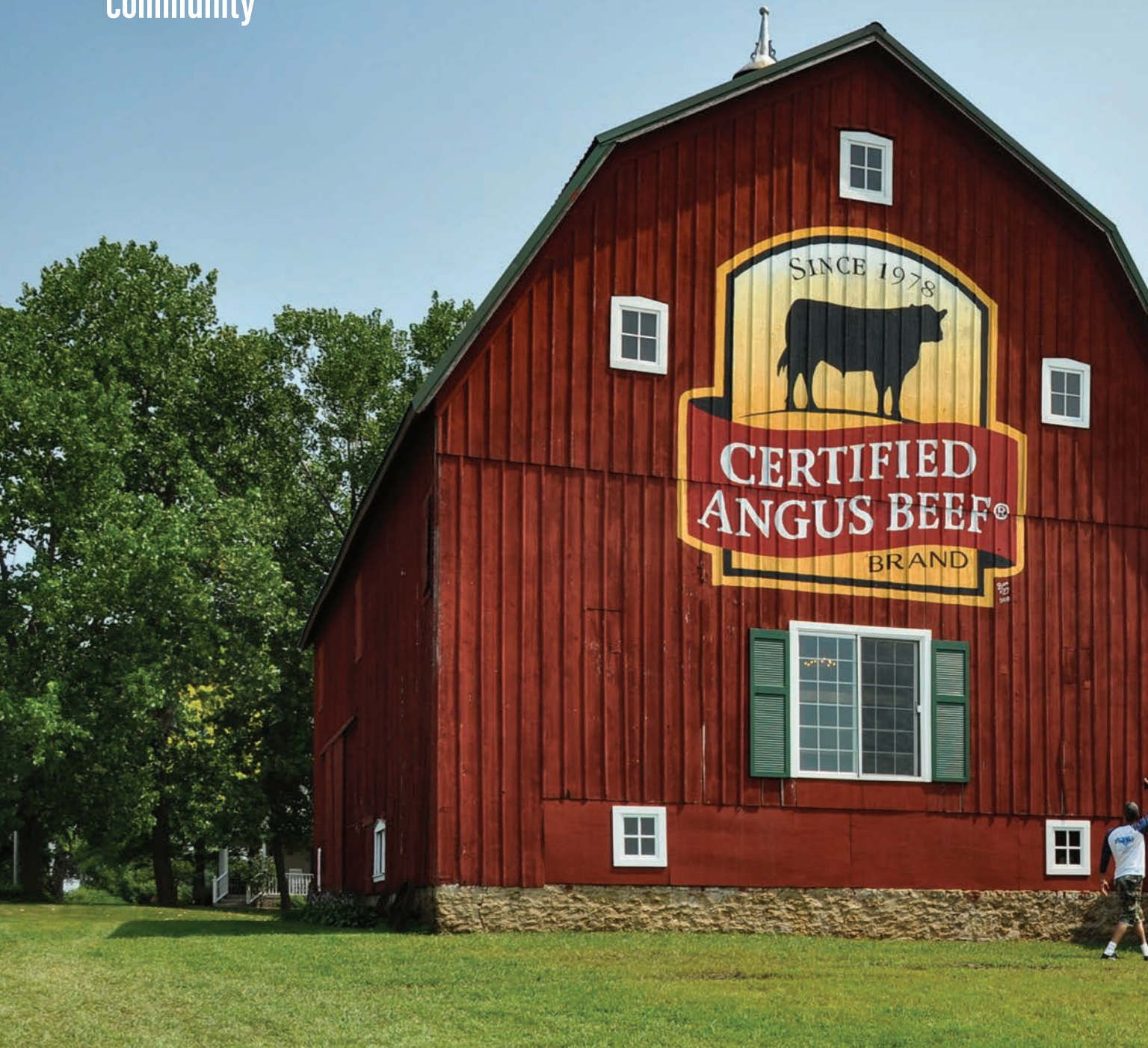


Engaging. Empowering. Educating.

The 4th Biennial Women's Connected Conference, "Engaging Minds and Renewing Spirits", was held in April at the Elms Hotel in Excelsior Springs, Missouri, underwritten by the Angus Foundation. It brought together women from 19 states to meet, learn and network, with the commonality of Angus. Presentations included Kelli Retallick, AGI, director of genetic service - Breeding Cattle for a Better Tomorrow; Ashley Grant, Ranch House Designs - Marketing and Promotion Strategies; Chef Alli Winter - Chef Alli's Farm Fresh Kitchen; Debbie Lyons Blythe, blogger of Kids, Cows, & Grass - "Fast" Cooking for a Hungry Crew and "Influencing" Consumers Positively on Ag Production; and Milford Jenkins, Angus Foundation president - Describing the Angus Team and the Role of the Foundation.

American Angus Auxiliary

Community



Connecting the Beef Community through Barns

A rancher, packer, foodservice retailer and chef sit down at a table. It was a common occurrence at ranches across the country during the 40th Anniversary of CAB celebrations that were part of the brand's barn painting campaign.



Community

The process of watching artist Troy Freeman adorn each barn with the Certified Angus Beef logo was a spectacular sight, but it was at the corresponding celebration events where the magic truly happened.

At each event, lines blurred between urban and rural. School teachers, extension agents, politicians and media assembled to enjoy a meal and revel in the history and bright future of the Angus breed. At these tables, conversations began, friendships were kindled and people learned a bit more about where their food comes from.

In Mandan, North Dakota, the distance between producer and consumer completely disappeared. The Boehm family at Interstate Angus Ranch, home to Barn No. 23, cares for a herd of 100 registered Angus cows while operating Roby's Supper Club, a local restaurant that proudly serves CAB.

Second-generation rancher and restaurant owner Robert Boehm is dedicated to the brand that now embellishes his barn. In the early days at Roby's when there were no local CAB distributors, Boehm would drive a 600-mile roundtrip to purchase the brand he believes is best to serve in his restaurant.

"If I couldn't serve my customers Certified Angus Beef brand steaks, I wouldn't serve them steaks at all," he says.

CAB has grown from a niche program launched in 1978 to represent one-fifth of the nation's fed

cattle supply and market more than a billion pounds of beef annually.

The celebration of the Business Breed's beef brand involved those beyond the cattle community. The Olson family in Winnebago, Illinois, doesn't own Angus cattle but are fans of great beef. Their large wooden barn has served as a wedding venue and became home to barn painting No. 27.

"It is our dream to grow memories for generations to come on our 1907 farm," says Laine Olson. "We've created a gathering place for the community in a barn that will now be adorned with one of the earliest forms of advertising from a bygone era."

The barns that now dot the landscape represent 40 parts of a greater whole—pieces of a greater community focused on creating and serving the very best beef.

Barn artist Troy Freeman, from Springfield, Illinois, used paint he says will last 30 years, so few touchups will be necessary. And the barns will be seen for decades to come. From the car conversations it will spark to highway passersby to tour groups that will visit the painted farms and many in between, the final ripple effect has yet to be fully understood. 2



Community

“Fabric of our Forebears” Brings Us Together

The American Angus Association puts together an I Am Angus documentary every year that tells the story of different Angus producers. This year’s film weaves a tale of Angus natives and immigrants. “I Am Angus | Fabric of Our Forebears” premiered Christmas Day on RFD-TV, and it dives into the rich heritage of the Angus breed and the varied people who now raise Angus across the world. From the original Aberdeen-Angus herds in Scotland to the plains of South Dakota, down to the bayou and everywhere in between, the Angus story is told from eight breeders’ perspectives.

The Association is “Raising the Steaks”

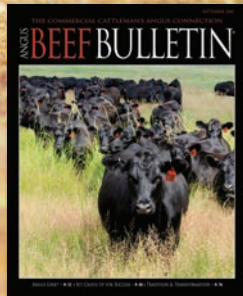
The American Angus Association started producing a topical documentary each year, starting with 2017, to help bridge the divide between our rural communities and the urban population. In “Raising the Steaks”, an I Am Angus documentary that appeared on RFD-TV Thanksgiving Day, one consumer couple got the chance to tour the entire beef production chain, meet the people who produce their beef, ask all their questions and learn about the process. The documentary follows the couple through the whole beef production process starting by visiting a seedstock operation followed by a cow-calf ranch and a feedlot. Their tour ended with watching and discussing a video about the processing aspect and visiting the meat counter of a local grocery store.

Convention Connections

There’s no better way to connect with other Angus members, cattle producers and industry than through the Angus Convention. With almost 2,500 attendees, the three-day 2017 Angus Convention was a resounding success. Held in Ft. Worth, Texas, the Convention kicked off on Friday, Nov. 3 with the National Angus Tour, hosted by the Texas Angus Association. Almost 450 attendees headed to a pair of unique operations in the heart of Texas. Meanwhile, the Beef Blitz Product Tour, hosted by Certified Angus Beef LLC, took 40 attendees on a tour from packer to plate. Friday evening, the Angus Foundation celebrated a year of generous donors at the Angus Foundation Supporter Recognition Event. The Angus Genomics Symposium and Angus University provided unparalleled learning opportunities, and the weekend concluded with the 134th Annual Convention of Delegates.

Angus Publications Redesigned

One of the main ways the American Angus Association fosters community with seedstock and commercial producers is through the publications that serve the membership. To continue to cultivate that community and to help producers better serve their cattle and customers, both the *Angus Journal* and the *Angus Beef Bulletin* went through redesigns, as did the editorial team's structure. Facing staffing changes and shifting needs, the timing was right to divide the editorial responsibilities of the two publications to better serve each audience. Longtime Editor Shauna Rose Hermel chose to pursue the *Angus Beef Bulletin* to grow it as the resource for Angus members' commercial customers. The *Angus Journal*, serving the seedstock audience, is in new and capable hands under the helm of Editor Julie Mais. With a combined total audience of about 80,000, the two publications provide a way for Angus members to market their genetics at an affordable price.



Great Strides to a Great Culture

The American Angus Association has always been like a family, and that's obvious with some employees having 30, 40 and 50 years invested! But, the past couple of years, the Association leadership has been making concerted efforts to ensure the culture continues to improve. This year was no exception. A culture committee was started to put an emphasis on making sure the culture is the best it can be. Allen Moczygemba, Association CEO, meets with all employees in an individual or small group setting, and new events and programs are popping up to make sure employees continue to love coming to work.

Regional Managers Reorganized

The American Angus Association regional managers serve as the local connection to the larger Association. They are developing relationships, going to sales, visiting farms and ranches, and they are, in many ways, the face of the Association for many people. Chris Jeffcoat, Kurt Kangas and Jeff Mafi were promoted to team lead positions. In addition to continuing to serve in their roles as regional managers, the new team leads will oversee and work directly with the other regional managers, as well as Director of Field Staff David Gazda.

Serving Our Communities

The American Angus Association and CAB don't just foster relationships in the beef community. The companies also support the communities they call home - Saint Joseph, Missouri, and Wooster, Ohio. From blood drives to kids' school supplies to hosting community events, the local communities are a focus.

CAB's 40th Anniversary

CAB turned 40 this year, riding a wave of increasing supply and demand to grow sales beyond 1.2 billion pounds (lb.), leaving competitors far behind. Yet, long before the decade of consecutive records, the brand was like any other good idea trying to take root. For reasons that have never been replicated, it worked. Some call it luck, but those on the inside know it was never predestined. It took time and stewardship to grow from a little house in West Salem into the Wooster, Ohio, headquarters where 145 staff work with

19,000 partners in 50 countries. Cattlemen and chefs, packers and feeders are all connected through a thread that is the consumer. CAB works to strengthen those bonds as a conduit in the community. With its mission unchanged – to increase demand for registered Angus cattle through a specification-based branded beef program to identify consistent, high-quality beef with superior taste – the future now looks a lot like it did in 1978: uncharted, yet highly anticipated.

Trading Places

For three years, CAB has brought beef's bookends together through a series coined Trading Places. The goal is to provide experience by doing and perspective by seeing, ultimately strengthening the quality beef chain through relationships and a better understanding of the other side. American Angus Association president Kevin Yon sat in on Chef Jeremiah Bacon's run-through with his staff at the Oak Steakhouse in Charleston. An evening under Chef Bacon's kitchen lights revealed what it takes to carry the baton Yon and cattlemen like him pass along at harvest. Bacon shared the same sentiment after a day at Yon Family Farms.



Environment

Clean Water and Great Angus Beef

Located a hundred miles outside of New York City, the 1,500-acre Thunder View Farms in Grahamsville, New York, lies in the watershed that delivers drinking water through the largest unfiltered surface water supply system in the country.

Like many farmers in this area, Philip (Phil) Coombe Jr. had a vision for a farm that would be environmentally responsible and produce great cattle. Thunder View Farms is the realization of that vision, where he and his brother, Richard (Dick), set up their high-quality registered Angus operation in 1958. Innovators at heart, Phil and Dick worked to ensure they were being environmentally responsible while productive as possible on their farm.

The Coombe family's focus on the environment has been an asset to them and area farm communities. Becoming a model and leader in conservation stewardship began in 1989 when Dick led a group of farmers in early negotiations with the NYC



Environment

Department of Environmental Protection and upstate New York farming community. This resulted in the formation of the Watershed Agricultural Council. Dick served as founding Chairman and CEO for 10 years. Thunder View Farms has participated in the voluntary programs for more than 23 years.


Their innovative approach to environmental stewardship led to Thunder View Farms winning the Region I National Cattleman's Beef Association (NCBA) Environmental Stewardship Award, and it is now one of six finalists for the national award in early February 2019 in New Orleans.

Thunder View Farms 144-cow pure bred operation now includes Dick's son, Ric and his family, as they continue the focus on environmentally sound practices to ensure their operation allows clean water to travel to the New York City population.

"What happens on our farm is in New York City's water supply in 48 hours," Ric says. "As much as New York City would like to own the watershed area, they can't buy it all. They've realized we're good protectors of the land. They recognize that it provides good, clean water while protecting farming communities and family operations."

The Coombe family is constantly improving their operation through best management practices. To date, they have installed seven feeding pads, developed a nutrient management plan for spreading manure, introduced a gravity-fed water system, set up a pasture rotation and began using wind and solar power. In addition, they also have a Forest Management Plan in place.

"Environmental stewardship is good for our business," Ric says. "The environmental decisions have paid for themselves. We were hesitant about rotational grazing, but our weaning weight is up 100 pounds per head. There's an economic and marketing communications benefit. Customers pay for a premium product but get a premium benefit."

The senior Coombe agrees, "A hundred miles outside the city, we should be out of business, but we're growing. You can't believe the bus loads of people who come from New York City to see the watershed. They marvel at our beef, but they also marvel at how we produce it. There's a symbiotic relationship between producing more beef and using best management practices on our farm. It's really a great story." 



Digital Push

It's no secret digital advertising is seeing rapid growth. In 2017, digital ad spending reached \$88 billion in the U.S. — an all-time high. Because of the potential in the digital space, Angus Media decided it was time to grow this area of the business.

"Digital marketing is the way of the future," says Sara Reardon, Angus Media general manager. "It's an exciting landscape with almost infinite possibilities, and at Angus Media, we want to ensure our customers are able to take advantage of this effective marketing medium.

Angus Media initiated many new digital marketing initiatives in 2018 and has many more in line for 2019.

ANGUS MEDIA

ANGUS

THE BUSINESS BREED

Officers

President

Kevin Yon
Ridge Spring, South Carolina

CEO

Allen Moczygemba
Saint Joseph, Missouri

Vice President

John Pfeiffer, Jr.
Mulhall, Oklahoma

Treasurer

Don Schiefelbein
Kimball, Minnesota

Board of Directors

James S. Coffey
Hustonville, Kentucky

Chuck Grove
Forest, Virginia

Mike McCravy
Bowdon, Georgia

Don Schiefelbein
Kimball, Minnesota

Mick Varilek
Geddes, South Dakota

Richard M. Dyar
Crossville, Alabama

Dave Hinman
Malta, Montana

Alan Miller
Gridley, Illinois

Jonathan Perry
Fayetteville, Tennessee

Barry Pollard
Enid, Oklahoma

Jerry Connealy
Whitman, Nebraska

David A. Dal Porto
Oakley, California

John F. Grimes
Hillsboro, Ohio

James W. Henderson
Childress, Texas

Dave Nichols
Bridgewater, Iowa



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

Mission Statement

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

Vision Statement

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

Core Strategies

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

Join Us

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

Call us at (816) 383-5100

Email us at angus@angus.org

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



Angus TV



American Angus Association



@AngusAssoc



angusassoc

Subscribe to the Angus Journal and Angus Beef Bulletin: Angus.org

Re@ch Out

Contact your Regional Manager for more information.

Chris Jeffcoat

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

CJeffcoat@angus.org

David Gazda

Florida
Georgia
South Carolina

DGazda@angus.org

Alex Tolbert

Kentucky
Ohio
Tennessee

ATolbert@angus.org

Casey Jentz

Illinois
Indiana
Michigan
Wisconsin

CJentz@angus.org

Adam Conover

Iowa
Missouri

AConover@angus.org

Rod Geppert

Minnesota
North Dakota
South Dakota

RGeppert@angus.org

Drew Feller

Colorado
Nebraska

DFeller@angus.org

Jeff Mafi

Kansas
Oklahoma

JMafi@angus.org

Radale Tiner

New Mexico
Texas

RTiner@angus.org

Kurt Kangas

Alaska
Montana
Wyoming

KKangas@angus.org

Jake Pickering

Arizona
California
Nevada
Utah

JPickering@angus.org

Jake Troutt

Hawaii
Idaho
Oregon
Washington

JTroutt@angus.org

Mark Sims

Arkansas
Louisiana
Mississippi
Alabama

MSims@angus.org

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of American Angus Association and its Subsidiaries (the Association), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, 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

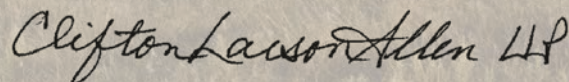
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable 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, 2018 and 2017, 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, 2018**

American Angus Association and Its Subsidiaries
Consolidated Statements of Financial Position

September 30, 2018 and 2017

	2018	2017		2018	2017
ASSETS			LIABILITIES AND NET ASSETS		
Current Assets			Current Liabilities		
Cash and Cash Equivalents	\$ 3,379,451	\$ 3,201,715	Accounts Payable - Trade	\$4,600,029	\$ 3,209,943
Accounts Receivable, Net	4,784,784	4,223,558	Accrued Liabilities	1,911,505	1,826,697
Pledges Receivable, Net - Current Portion	145,582	344,810	Taxes Payable	-	21,529
Income Tax Receivable	30,300	26,218	Deferred Income	<u>1,159,089</u>	<u>1,679,343</u>
Interest Receivable	5,892	6,273	Total Current Liabilities	7,670,623	6,737,512
Inventories	1,188,132	1,089,163	Long-Term Liabilities		
Prepaid Expenses	1,159,455	893,034	Deferred Compensation	584,618	500,133
Deferred Income Taxes	-	1,870	Accrued Post Retirement Benefits	<u>1,805,580</u>	<u>1,547,960</u>
Total Current Assets	<u>10,693,596</u>	<u>9,786,641</u>	Total Long-Term Liabilities	<u>2,390,198</u>	<u>2,048,093</u>
Investments			Total Liabilities	10,060,821	8,785,605
Unrestricted - Association	7,457,530	12,028,191	Net Assets		
Unrestricted - Subsidiaries	6,905,904	6,304,893	Unrestricted:		
Board Designated	16,541,274	16,259,242	Operating	25,530,715	25,527,363
Temporarily Restricted	1,800,296	1,926,954	Board Designated	16,488,826	15,890,665
Permanently Restricted	<u>12,937,755</u>	<u>12,366,555</u>	Temporarily Restricted	1,816,767	2,025,508
Total Investments	45,642,759	48,885,835	Permanently Restricted	<u>13,036,261</u>	<u>12,586,919</u>
Property and Equipment			Total Net Assets	<u>56,872,569</u>	<u>56,030,455</u>
Buildings and Land Improvements	7,205,171	7,043,370	Total Liabilities and Net Assets	<u>\$66,933,390</u>	<u>\$ 64,816,060</u>
Furniture, Fixtures, and Equipment	4,180,388	3,855,587			
Electronic Data Processing Equipment	<u>8,421,949</u>	<u>4,794,116</u>			
Total, at Cost	19,807,508	15,693,073			
Less: Accumulated Depreciation	<u>10,570,464</u>	<u>9,869,034</u>			
Total Property and Equipment	9,237,044	5,824,039			
Other Assets					
Deferred Income Taxes	243,766	317,729			
Long-Term Pledges Receivable - Net	116,225	1,816			
Goodwill	<u>1,000,000</u>	-			
Total Other Assets	<u>1,359,991</u>	<u>319,545</u>			
Total Assets	<u>\$ 66,933,390</u>	<u>\$ 64,816,060</u>			

See accompanying Notes to Consolidated Financial Statements.

Financial Report

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

Years Ended September 30, 2018 and 2017

	2018	2017
Revenues, Gains, and Other Support		
Royalties	\$ 28,253,359	\$24,477,325
Advertising Income	8,307,456	7,745,958
Registrations	4,540,124	4,541,698
Transfers	987,069	1,004,754
Artificial Insemination Certificates	1,609,090	1,637,240
Memberships	1,498,730	1,504,880
Performance Programs	1,388,142	1,243,754
Commercial Programs	615,803	423,518
DNA Tests	7,589,394	7,671,553
Web Services Revenue	603,605	530,339
Subscriptions	626,419	632,927
Contributions	923,779	809,769
Account and Merchandise Sales	944,873	705,679
Software Sales	30,108	33,018
Creative Media Services	177,337	1,075,580
Support Fees	2,516,906	2,236,132
Other Income	190,542	147,521
Net Investment Income	<u>4,240,335</u>	<u>1,941,545</u>
Total Revenues, Gains, and Other Support	65,043,071	58,363,190
Expenses		
Certified Angus Beef	29,754,819	24,893,761
Angus Productions	10,017,411	10,552,697
Angus Genetics	6,371,175	8,059,708
Member Services	4,018,343	4,517,199
Commercial Programs	2,301,468	1,126,621
Industry and Member Communications	2,696,751	1,739,734
Field Services	1,974,106	1,572,547
Activities	3,818,750	3,038,268
Angus Foundation	<u>1,511,561</u>	<u>1,272,804</u>
Total Expenses	<u>62,464,384</u>	<u>56,773,339</u>

	2018	2017
Changes in Net Assets Before Other Provisions and Net Unrealized Gain on Investments	2,578,687	1,589,851
Provision for Taxes	(62,754)	(40,395)
Provision for Post Retirement Benefits	(355,780)	(230,642)
Net Unrealized (Loss) Gain on Investments	<u>(1,291,529)</u>	<u>2,384,631</u>
Changes in Net Assets Before Income Taxes	868,624	3,703,445
Provision for Income Taxes	<u>(26,510)</u>	<u>(2,633)</u>
Changes in Net Assets	<u>\$ 842,114</u>	<u>\$ 3,700,812</u>
Changes In:		
Unrestricted Net Assets	\$601,513	\$ 3,115,325
Temporarily Restricted Net Assets	(208,741)	454,201
Permanently Restricted Net Assets	<u>449,342</u>	<u>131,286</u>
Changes in Net Assets	842,114	3,700,812
Net Assets - Beginning of Year	<u>56,030,455</u>	<u>52,329,643</u>
Net Assets - End of Year	<u>\$56,872,569</u>	<u>\$ 56,030,455</u>

See accompanying Notes to Consolidated Financial Statements.

American Angus Association and Its Subsidiaries
Consolidated Statements of Cash Flows

Years Ended September 30, 2018 and 2017

	2018	2017		2018	2017
Cash Flows From Operating Activities			Cash Flows From Investing Activities		
Changes in Net Assets	\$842,114	\$ 3,700,812	Proceeds From Sale of Equipment	72,754	48,376
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:			Proceeds From Sale of Investments	7,088,772	3,674,021
Depreciation and Amortization	893,843	900,290	Purchases of Property and Equipment	(1,365,507)	(1,262,333)
(Gains) Losses on Sale of Equipment	(24,095)	1,748	Acquisition of Assets	(3,990,000)	-
Net Realized Gains on Investments	(2,866,670)	(537,390)	Purchases of Investments	<u>(2,186,070)</u>	<u>(4,826,345)</u>
Net Unrealized Losses (Gains) on Investments	1,291,529	(2,384,631)	Net Cash Used by Investing Activities	(380,051)	(2,366,281)
Deferred Income Taxes	75,833	(47,233)	Cash Flows From Financing Activities		
Contributions Restricted for Long-Term Purposes	(354,074)	(167,011)	Proceeds from Contributions for Investment in Permanent Endowment	354,074	167,011
Effect of Changes in Operating Assets and Liabilities:			Principal Payments on Capital Lease Payable	<u>-</u>	<u>(4,564)</u>
Accounts and Interest Receivable	(560,845)	(209,101)	Net Cash Provided by Financing Activities	<u>354,074</u>	<u>162,447</u>
Pledges Receivable - Net	84,819	3,934	Net Increase (Decrease) in Cash and Cash Equivalents	177,736	(681,507)
Income Taxes Receivable	(4,082)	(26,218)	Cash and Cash Equivalents - Beginning of Year	<u>3,201,715</u>	<u>3,883,222</u>
Inventories	(98,969)	(9,805)	Cash and Cash Equivalents - End of Year	<u>\$3,379,451</u>	<u>\$ 3,201,715</u>
Prepaid Expenses	(266,421)	84,223			
Accounts Payable - Trade	1,390,086	633,104			
Accrued Liabilities, Deferred Income, Deferred Compensation, Post Retirement Benefits, and Awards	(177,826)	(403,824)			
Taxes Payable	<u>(21,529)</u>	<u>(16,571)</u>			
Net Cash Provided by Operating Activities	203,713	1,522,327			

See accompanying Notes to Consolidated Financial Statements.

Financial Report

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

September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements also include Angus Foundation (the Foundation) and Certified Angus Beef, LLC (CAB). The Association has a controlling financial interest in both the Foundation and CAB, 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. CAB was incorporated as a nonprofit organization in the state of Delaware in 2000, and its principal business activity is to operate the Certified Angus Beef Program, and thereby promote the Angus breed of cattle by increasing the demand for registered Angus seedstock in the commercial beef industry.

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

Use of Estimates in Preparing Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into the Association's consolidated financial statements include: the royalty income due from meat packers; the allocation factors used to allocate costs among the various programs and supporting services of the Association; the estimated timing and collectability applicable to pledges receivable and accounts receivable; the potential for state and local tax liabilities; the required liability for postretirement 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 deposit, and money market accounts with an initial maturity date of three months or less. Certain cash equivalents are considered to be an integral part of the Association's investment program and are, accordingly, recognized as a component of investments in the consolidated statements of financial position.

Accounts and Pledges Receivable

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts and Pledges Receivable (Continued)

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 uncollectible accounts. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Association could be adversely affected. An allowance for doubtful accounts has been provided based on management's assessment of the collectability of receivables.

Pledges receivable represent unconditional promises to give that are due within 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 net realizable value with cost being determined on the first-in, first-out (FIFO) basis of accounting.

Investments

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

Goodwill

Goodwill, representing the future economic benefits arising from assets acquired by the Association that are not individually identified and separately recognized, is carried as an asset. Goodwill should not be amortized, instead it should be tested annually for impairment. The Association has determined that no impairment existed related to the goodwill at September 30, 2018.

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 asset classes.

Advertising Costs

The Association expenses advertising costs as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postretirement Benefits

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

Income Taxes

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

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

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

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

The Association follows the provisions for uncertain tax positions as addressed in Financial Accounting Standards Board ASC 740. The Association recognized no liability for unrecognized tax benefits at September 30, 2018. The Association has no material tax positions at September 30, 2018 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, 2018 and 2017.

Description of Programs

The Association operates the following programs:

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

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

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

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

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

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

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

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

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

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

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

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

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

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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement Effective in Future Accounting Period

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities. This standard was issued to improve the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal year ending September 30, 2019. Management will be evaluating the effects of this new standard.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2018	2017
Trade Receivables	\$3,966,411	\$3,546,682
Royalty Receivables	818,373	676,876
Total	<u>\$4,784,784</u>	<u>\$4,223,558</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.



Financial Report

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:

2018

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

2016

	<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	\$ 20,137,527	\$ 20,137,527	\$ —	\$ —
Mid Cap Equity	1,164,400	1,164,400	—	—
Small Cap Equity	497,579	497,579	—	—
International	2,016,128	2,016,128	—	—
World	1,786,662	1,786,662	—	—
Fixed Income:				
Mutual Funds:				
Corporate	21,802,106	21,802,106	—	—
Total Assets	<u>\$ 47,404,402</u>	<u>\$ 47,404,402</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE 4 – INVESTMENTS

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

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

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

Interest Income	\$ 1,376,934
Net Realized Gains	2,866,670
Investment Fees	<u>(3,269)</u>
Net Investment Income	4,240,335
Net Unrealized Losses	(1,291,529)
Net Unrealized Gains - Deferred	
Compensation Investment	<u>72,341</u>
Total Investment Returns	<u>\$ 3,021,147</u>

Financial Report

NOTE 4 – INVESTMENTS (Continued)

The value of investments at September 30, 2017 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	\$ 1,251,279	\$ –	\$ –	\$ 1,251,279
Money Market Accounts	230,154	–	–	230,154
Held at Fair Value:				
Equity Security				
Mutual Funds	19,958,189	5,644,107	–	25,602,296
Fixed Income				
Mutual Funds	21,566,484	235,622	–	21,802,106
Total Investments	<u>\$ 43,006,106</u>	<u>\$ 5,879,729</u>	<u>\$ –</u>	<u>\$ 48,885,835</u>

Investment returns for the year ended September 30, 2017 consist of the following:

Interest Income	\$ 1,434,872
Net Realized Gains	537,390
Investment Fees	<u>(30,717)</u>
Net Investment Income	1,941,545
Net Unrealized Gains	2,384,631
Net Unrealized Gains - Deferred	
Compensation Investment	<u>67,067</u>
Total Investment Returns	<u>\$ 4,393,243</u>

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable contain the following:

	2018	2017	<u>Year Ending September 30,</u>	<u>Amount</u>
Total Pledges Receivable	\$ 287,131	\$ 374,310	2019	\$ 170,722
Less: Allowance for Uncollectible Pledges	25,140	27,500	2020	11,000
Less: Unamortized Discount	<u>184</u>	<u>184</u>	2021	105,409
Net Pledges Receivable	261,807	346,626	Total	<u>\$ 287,131</u>
Less: Pledges Receivable, Net-Current Portion	<u>145,582</u>	<u>344,810</u>		
Long-Term Pledges Receivable, Net	<u>\$116,225</u>	<u>\$ 1,816</u>		

NOTE 5 - PLEDGES RECEIVABLE (Continued)

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

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

The Association is a beneficiary of an estate that is in the process of liquidating its assets to make a final distribution. Based upon discussion with the executors of the estate, the Association has recognized a receivable of \$105,409 and \$226,000 at September 30, 2018 and 2017. 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 (board) and are discretionary. Contributions to the Plan are based upon eligible employee salaries and years of service. During the fiscal years ended 2018 and 2017, the Association contributed \$1,355,284 and \$1,258,541, respectively, to this Plan.

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

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

The amounts held for each participant are subject to the claims of the general creditors of the Association. The net annual amount recorded as deferred compensation expense was \$19,387 in 2018 and \$9,254 in 2017. Amounts are recorded on the Association's records as an investment and a matching long-term liability in the amounts of \$584,618 in 2018 and \$500,133 in 2017.

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

	2018	2017
Accrued Benefit Obligation:		
Current Liability	\$ 84,086	\$ 68,040
Long-Term Liability	1,805,580	1,547,960
Total	<u>\$ 1,889,666</u>	<u>\$ 1,616,000</u>
Benefit Expense (Includes Benefits Paid of \$82,114 and \$60,642 for the Years Ending September 30, 2018 and 2017, Respectively)	<u>\$355,780</u>	<u>\$ 230,642</u>
Weighted-Average Assumptions:		
Discount Rate	6%	6%
Expected Return on Plan Assets	8%	8%
Benefit Obligation -		
Beginning of Year	\$ 1,616,000	\$ 1,446,000
Benefits Paid	(82,114)	(60,642)
Benefit Expense	355,780	230,642
Benefit Obligation - End of Year	<u>\$ 1,889,666</u>	<u>\$ 1,616,000</u>

NOTE 7 - PROVISION FOR TAXES

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

	2018	2017
Deferred Tax Assets:		
Depreciation Differences	\$ (29,410)	\$ (91,827)
Unrealized Gains on Investments	(22,699)	-
Difference in Revenue and Expense Recognition	242,896	411,426
Allowance for Doubtful Accounts	27,742	-
Net Operating Loss	25,237	-
Net Deferred Tax Asset	<u>\$ 243,766</u>	<u>\$ 319,599</u>

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

	2018	2017
Current Deferred Tax Asset	\$ -	\$ 1,870
Long-Term Deferred Tax Asset	243,766	317,729
Net Deferred Tax Asset	<u>\$ 243,766</u>	<u>\$ 319,599</u>

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 postretirement 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:

	2018	2017
Computed at Federal Statutory Rates	\$ (36,363)	\$ (8,630)
Increase (Decrease) in Income Taxes		
Resulting from:		
State Income Taxes, Net of Federal Benefit	12,504	(2,778)
Nontaxable Income and Nondeductible Expenses	6,222	6,040
Net Operating Loss Carryback	1,630	(4,500)
Prior Year Under (Over) Accrual	(18,638)	(788)
Amended Refunds	(17,670)	-
Deferred Remeasurement	78,825	-
Miscellaneous Other Adjustments	-	13,289
Total Provision for Income Taxes	\$ <u>26,510</u>	\$ <u>2,633</u>

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

The Association files income tax returns in the U.S. federal jurisdiction and various states. The Association is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended before September 30, 2015.

The Association's operations and activities occur, depending upon the specific year, in a variety of states. A provision of \$62,754 and \$40,395 has been established for sales and use taxes that may potentially be due to these taxing jurisdictions for the years ended September 30, 2018 and 2017, respectively. The total liability booked is \$428,975 and \$366,221 and is reflected as a component of accrued liabilities at September 30, 2018 and 2017, respectively. Changes in sales and use tax nexus criteria may impact the taxing jurisdictions in which the Association and its subsidiaries are required to collect and remit taxes. While the Association and its subsidiaries may be subject to further requirements to collect and remit sales and use taxes in additional jurisdictions, an amount cannot be reasonably estimated. The Association is not, as of the date of these consolidated financial statements, under examination by any taxing authority.

NOTE 8 - NET ASSETS

Board designated net assets were available for the following purposes:

	2018	2017
Research for Breed Improvements	\$ 1,687,649	\$ 1,551,017
Marketing	1,002,905	918,920
Information Systems	2,495,181	3,088,434
Technology Innovations	1,350,038	1,293,447
Supplemental Health Benefits	2,033,338	1,866,914
Capital Replacement	2,038,118	2,219,888
Youth, Research, and Education Programs	2,660,161	2,172,828
Donor Relations and General Administration	3,221,436	2,779,217
Total Board Designations	\$ <u>16,488,826</u>	\$ <u>15,890,665</u>

Temporarily restricted net assets were available for the following purposes:

	2018	2017
Research	\$ 74,888	\$ 17,257
Youth Programs	954,085	906,453
Education	787,294	1,101,298
Future Operations and Donor Relations	500	500
Total Temporarily Restricted Net Assets	\$ <u>1,816,767</u>	\$ <u>2,025,508</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:

	2018	2017
Research	\$ 64,432	\$ 64,432
Youth Programs	2,080,589	2,040,664
Education	10,891,240	10,481,823
Total Permanently Restricted Net Assets	\$ <u>13,036,261</u>	\$ <u>12,586,919</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:

	2018	2017
Contributions	\$ 63,464	\$ 103,980
Net Investment Income	499,962	396,015
Net Unrealized Gain (Loss) on Investments	(275,091)	105,250
Satisfaction of Purpose Restrictions	(280,917)	(151,044)
Change of Donor Restrictions	(216,159)	-
Net Change in Temporarily Restricted Net Assets	\$ <u>(208,741)</u>	\$ <u>454,201</u>

NOTE 8 – NET ASSETS (Continued)

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

	2018	2017
Contributions	\$ 233,183	\$ 124,861
Change of Donor Restrictions	216,159	6,425
Net Change in Permanently Restricted Net Assets	<u>\$ 449,342</u>	<u>\$ 131,286</u>

NOTE 9 – ENDOWMENTS

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

Interpretation of Relevant Law

The board has interpreted Missouri's enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Foundation classifies permanently restricted net assets as:

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

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 index while assuming a moderate level of investment risk. Due to the specific investment guidelines required by a significant endowment donor, approximately \$10.6 million was invested in fixed income type investments as of September 30, 2018.

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 2018 and 2017). 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.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ –	\$ 1,337,644	\$ 12,937,755	\$ 14,275,399
Board Designated Endowment Funds	2,341,699	–	–	2,341,699
Total Funds	<u>\$ 2,341,699</u>	<u>\$ 1,337,644</u>	<u>\$ 12,937,755</u>	<u>\$ 16,617,098</u>

NOTE 9 - ENDOWMENTS (Continued) Changes in endowment net assets for the fiscal year ended September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 2,066,271	\$ 1,243,756	\$ 12,366,555	\$ 15,676,582
Investment Return:				
Investment Income	138,872	468,880	-	607,752
Net Appreciation (Depreciation):				
Board Designated	48,344	-	-	48,344
Donor Restricted	-	(272,423)	-	(272,423)
Total	<u>187,216</u>	<u>196,457</u>	<u>-</u>	<u>383,673</u>
Contributions	121,212	10,035	571,200	702,447
Appropriation of Endowment Assets for Expenditure	<u>(33,000)</u>	<u>(112,604)</u>	<u>-</u>	<u>(145,604)</u>
Net Assets - End of Year	<u>\$ 2,341,699</u>	<u>\$ 1,337,644</u>	<u>\$ 12,937,755</u>	<u>\$ 16,617,098</u>

Endowment net asset composition by type of fund as of September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Endowment Funds	\$ -	\$ 1,243,756	\$ 12,366,555	\$ 13,610,311
Board Designated Endowment Funds	<u>2,066,271</u>	<u>-</u>	<u>-</u>	<u>2,066,271</u>
Total Funds	<u>\$ 2,066,271</u>	<u>\$ 1,243,756</u>	<u>\$ 12,366,555</u>	<u>\$ 15,676,582</u>

Changes in endowment net assets for the fiscal year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 1,818,060	\$ 856,229	\$ 12,191,684	\$ 14,865,973
Investment Return:				
Investment Income	61,420	376,061	-	437,481
Net Appreciation:				
Board Designated	168,683	-	-	168,683
Donor Restricted	-	70,752	-	70,752
Total	<u>230,103</u>	<u>446,813</u>	<u>-</u>	<u>676,916</u>
Contributions	105,608	8,005	174,871	288,484
Appropriation of Endowment Assets for Expenditure	<u>(87,500)</u>	<u>(67,291)</u>	<u>-</u>	<u>(154,791)</u>
Net Assets - End of Year	<u>\$ 2,066,271</u>	<u>\$ 1,243,756</u>	<u>\$ 12,366,555</u>	<u>\$ 15,676,582</u>

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 38% of the Association's total revenues, gains, and other support and 31% of the Association's receivables for the year ending September 30, 2018. Royalties from four customers represented 33% of the Association's total revenues, gains, and other support and 37% of the Association's receivables for the year ended September 30, 2017.

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:

	2018	2017
General and Administrative	\$ 4,457,973	\$ 4,254,437
Fundraising	531,668	506,222
Program Services	57,474,743	52,012,680
Total Expenses	<u>\$62,464,384</u>	<u>\$ 56,773,339</u>

NOTE 12 - ADVERTISING

Advertising expense for the years ended September 30, 2018 and 2017 totaled \$745,387 and \$5,042,562, respectively.

NOTE 13 - SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for income taxes was \$19,935 and \$92,655 in 2018 and 2017, respectively. Cash paid for interest was \$-0- and \$56 in 2018 and 2017, respectively.

NOTE 14 - SELF-INSURED INSURANCE

Effective January 1, 2016, CAB elected to be self-insured for medical, dental, and vision claims, subject to certain stop-loss coverage premiums. CAB's annual claims exposure is limited to \$150,000 per employee. At September 30, 2018, there were no material claims filed subsequent to year-end that related to the respective fiscal year. An accrual of \$144,102 and \$244,756 at September 30, 2018 and 2017, respectively, is included in Accrued Liabilities on the consolidated statements of financial position at September 30, 2018. The expense was \$1,152,000 and \$1,070,483 for the years ended September 30, 2018 and 2017, respectively.

NOTE 15 - ACQUISITION OF ASSETS

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

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

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

NOTE 16 - FLUCTUATION IN INVESTMENT VALUES

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

NOTE 17 - CONTINGENCIES

The Foundation has approved various grants totaling approximately \$87,000 for specific research projects. An additional \$163,000 has been budgeted for research projects that have yet to be identified. The grants are contingent upon the researchers accepting final agreements and meeting other requirements established by the Foundation. Due to their conditional nature, the consolidated financial statements do not reflect a commitment for these grants.

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.

NOTE 18 - CONCENTRATIONS OF RISK

The Association maintains cash in commercial banks located in the United States. The balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. There was approximately \$5,000,000 of collected balances in excess of FDIC limits at September 30, 2018.

Approximately 23% of the Association's contribution revenue during the year ended September 30, 2018 was from one donor. Approximately 21% of the Association's contribution revenue during the year ended September 30, 2017 was from one donor.

Approximately 83% of the Association's pledges receivable at September 30, 2018 was from three donors. Approximately 90% of the Association's pledges receivable at September 30, 2017 was from two donors.

NOTE 19 - SUBSEQUENT EVENTS

Management evaluated subsequent events through October 18, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2018, but prior to October 18, 2018 that provided additional evidence about conditions that existed at September 30, 2018, have been recognized in the 2018 consolidated financial statements.

2018 Annual Report

Raising Standards



ANGUS
THE BUSINESS BREED

angus.org

© American Angus Association | All rights reserved

