

2017 Annual Report



ANGUS
THE BUSINESS BREED

TABLE OF CONTENTS

1	CEO Report	18	Angus Productions Inc.
2	Member Services	19	Angus Communications
7	Information Management	20	Angus Convention
8	Team Angus	22	Angus Foundation
10	Angus Genetics Inc.	24	American Angus Auxiliary
12	Commercial Programs	26	Certified Angus Beef
14	Events and Education	28	Financial Statements



Message from the CEO

It is my honor to report that 2017 was another outstanding year for the American Angus Association®. Despite a year of natural disasters, from deadly wildfires to unprecedented flooding and challenging cattle markets, the resilience of our membership persevered to create a year of growth and continued success.

Registrations totaled 332,421 head, which was less than a one percent decline (0.65%) versus fiscal year '16, yet resulted in fiscal year '17 becoming the 17th largest number of registrations in the Association's 134-year history. In addition, embryo transfers (3,200), registration transfers (1,732) and AI certificates (6,761) all saw increases.

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

After two years of research and development with the University of Georgia, Angus Genetics, Inc.® (AGI) transitioned the Angus genetic evaluation to its new single-step methodology. Single step delivers greater prediction accuracy, less bias, and more timely incorporation of new data and genotypes. Model enhancements and updated parameters were incorporated while maintaining a weekly evaluation schedule, which is an industry exclusive. Genomic testing of Angus seedstock continued to grow as the number of genotypes in the Angus genetic evaluation grew from 261,000 to 383,000 – an increase of 47 percent. In addition, the AGI staff grew the Association's presence internationally as invited speakers at key industry events in Australia, Canada and Estonia.

Certified Angus Beef® (CAB) had another outstanding year as 1.12 billion lbs. of product was sold. Seven of the brand's top 10 months ever occurred in fiscal year '17 with August settling into the number one spot with 106.8 million lbs. sold. Total sales were up 10.4 percent, and the international division led the way with an increase of 26.4 percent. Perhaps the most telling statistic across the industry was that in 2017 the CAB certified head count exceeded all of USDA's select cattle as a percent of fed cattle harvested.

2017 was a transition year for Angus Productions, Inc. (API) as Rick Cozzitorto took over as president and Sara Reardon assumed the role of general manager. Online sale book viewership continued to grow,

however, with more than 817,000 user sessions that generated 38.5 million page views. Our social media presence continued to expand as well with the Association's Facebook page reaching 110,000 likes, and Instagram earned almost 20,000 followers while Twitter followers totaled approximately 15,000.

The Angus Foundation remained a model for the livestock industry in serving its mission of education, youth and research. In fiscal year '17, \$275,000 in scholarships were awarded to Angus youth. Exceptional educational programs were hosted at Cattlemen's Boot Camps and the Beef Leaders Institute. Additionally, key research was conducted with industry partners on heat tolerance, fertility, and reproductive and growth performance. Finally, contributions grew by 14 percent versus last year.

Finally, perhaps the biggest highlight of the year was the revamped National Western Angus Bull Sale held in Denver last January. The event drew the largest agricultural crowd to the old National Stadium Arena at the National Western Stock Show since the last performance of the rodeo was held there in the early 1950s. It was an evening of excitement and pride for all of us at the Association. It was a great example of how the combination of a passionate membership and a dedicated staff has led the American Angus Association to a path of unmatched leadership in the livestock industry.



A handwritten signature in black ink, reading "Allen Moczygemba". The signature is fluid and cursive, written in a professional style.

Allen Moczygemba
American Angus Association CEO

PASSION FUELS PROGRESS

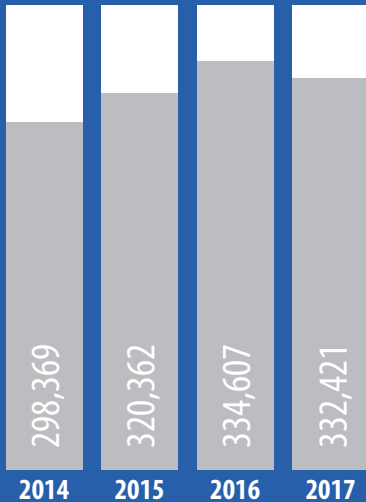
From coast to coast, Angus producers are a driving force behind American beef production.

Throughout its 134-year existence, the American Angus Association has built a legacy of quality cattle, top-notch customer service and superior genetic leadership. The Association is backed by a membership of more than 25,000 cattle producers – of different sizes, locations and backgrounds. Every fiscal year brings changes, improvements and developments to the Association and its membership. The Association is proud to document the yearly accomplishments in the 2017 Annual Report.



YEAR-END HIGHLIGHTS

Total Registrations



1.12 BILLION LBS.
of *Certified Angus Beef®* brand sold

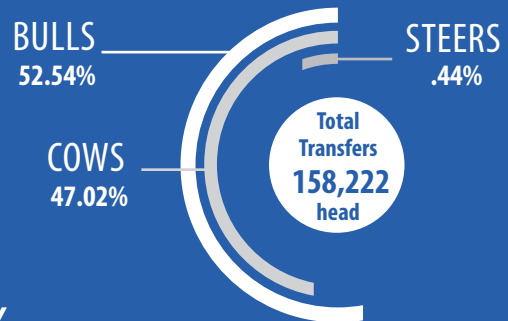
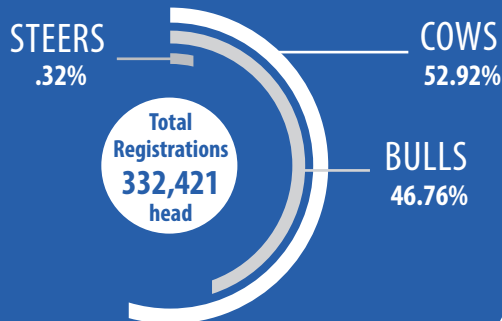
Registered Angus cattle sold



\$4,732
PER HEAD

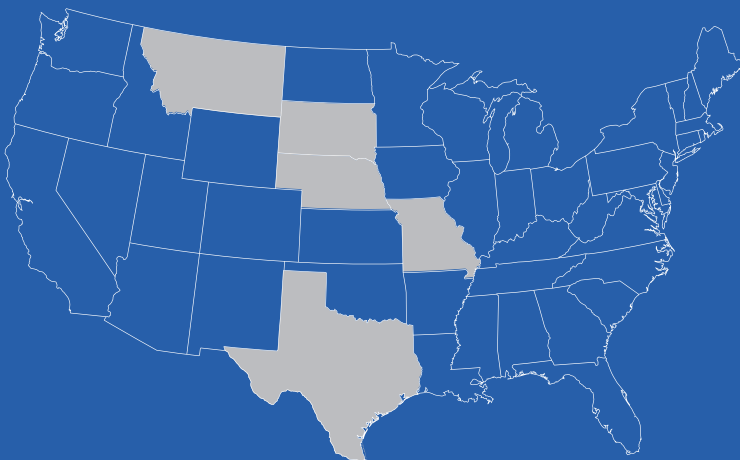
\$4,572
PER HEAD

126,642
genomic tests submitted



49.26%

Registration Certificates, Stored Electronically



Top five states for number of head registered

Montana: 32,051

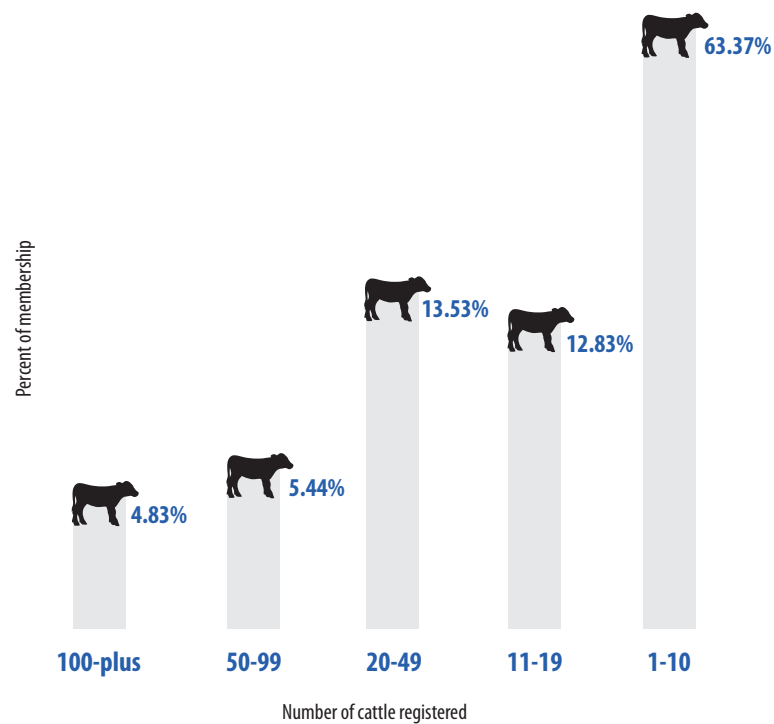
Nebraska: 27,753

South Dakota: 24,124

Texas: 22,641

Missouri: 21,018

More than 25,000 members dedicated to advancing Angus genetics



KEEPING THE COURSE

American Angus Association keeps on track with goals set in Long-Range Strategic Plan.

American Angus Association

- The Board of Directors considered a recommendation from the Foundation Board of Directors regarding appropriation of existing research funds to initiate feet and leg structure research.
- The Board of Directors discussed options to identify both sires and dams that qualify as parents on registration certificates.
- Began the process of a mobile recordkeeping platform designed for commercial cattlemen.
- Transitioned communications group back to the Association from Angus Media.

Angus Genetics Inc.

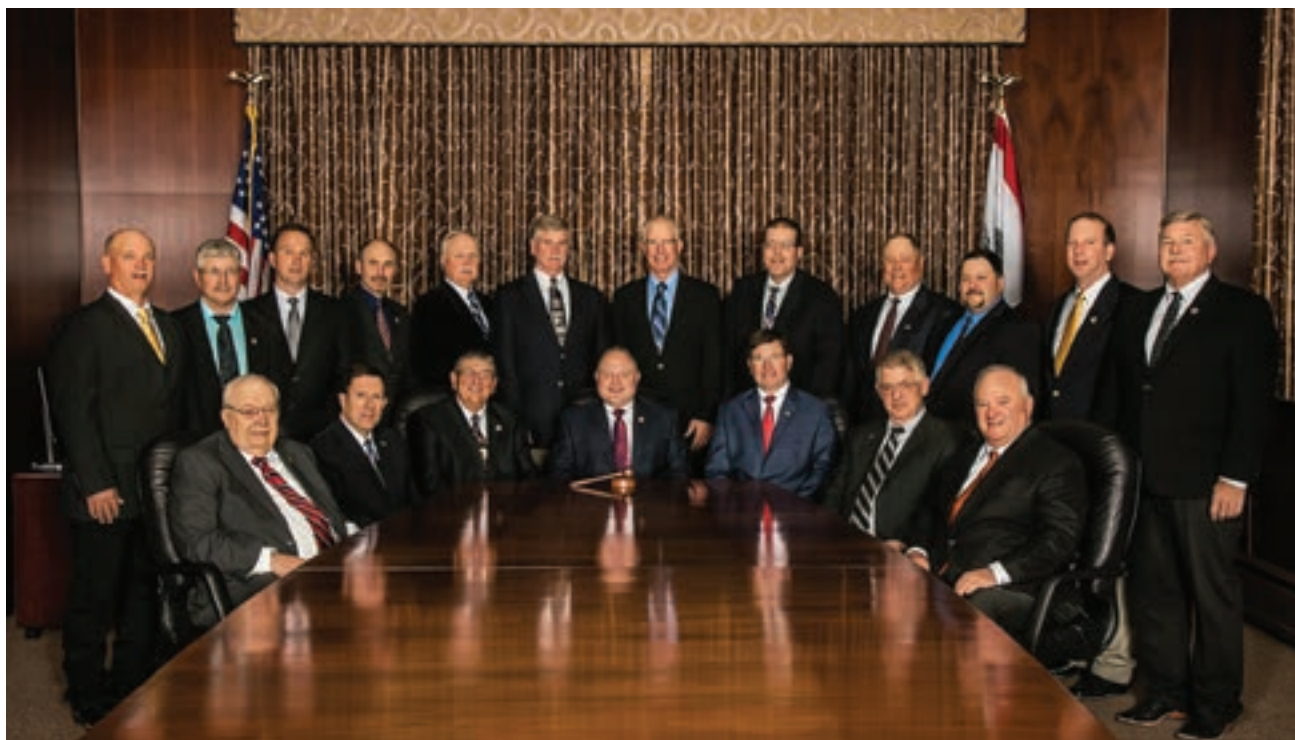
- Official launch of single-step genetic evaluation took place on July 7. The new methodology for genetic evaluation includes simplified calculation models used within the National Cattle Evaluation (NCE).
- Development of Angus GS™ genetic evaluation chip specifically designed for Angus cattle. The new, lower-cost chip will be unveiled at the 2017 Angus Convention.

Angus Foundation:

- Total assets reached more than \$20.4 million, including assets of \$754,900 and investments of \$19,693,400. At the close of fiscal year '17, contributions were 23 percent ahead of budget with \$1,010,235 from generous contributions.
- Fiscal year '17 marked 13 consecutive years of more than \$1 million in total revenue and six consecutive years of positive growth in assets.

Angus Productions Inc.

- New additions to Angus Media leadership include Rick Cozzitorto, president; Sara Reardon, general manager; and Gail Lombardino, print services director.
- The management team has restructured the asset management organization and project workflow to increase efficiency.
- Began process of *Angus Journal*® redesign in July 2017. The January issue will kick off the new look at the National Western Stock Show in 2018, followed by the *Angus Beef Bulletin*® redesign in late 2018.



Front Row, from left: Dave Nichols, Allen Moczygemba, John H. Pfeiffer Jr., Charlie Boyd II, Kevin Yon, Dave Hinman, Barry Pollard. Back Row, from left: Mike McCravy, Mick Varilek, Alan Miller, Don Schiefelbein, Richard Dyar, Chuck Grove, Jerry Connealy, John Grimes, James Henderson, Jonathan Perry, James Coffey, David Dal Porto



COMBINING CAREERS AND CATTLE

Angus members balance agricultural careers with a growing registered Angus operation.

Third-generation Angus producers Ron and Lynne Hinrichsen of Hinrichsen Ranch in Westmoreland, Kansas, are the definitions of “Angus enthusiasts.” They knew early on they wanted to raise Angus cattle and started with five cows they bought before they were married.

Ron Hinrichsen grew up in southern Indiana on a diversified livestock operation before attending Kansas State University. He obtained a degree in animal science with a business option and pursued a sales career in the agriculture industry. Currently, Ron Hinrichsen serves as the director of beef sales and marketing for Genex. Together, the pair continued to expand the Angus herd and built a foundation operation for their children.

Lynne Hinrichsen’s story began with an urban upbringing in Detroit, Michigan. Although she now has spent more years in agriculture than living in the city, she feels her background gave her a better understanding of consumer needs and how they think. After graduating from Michigan State University with degrees in animal science and agricultural communications, she moved to Kansas where she went to work in sales for one of the largest meat packing companies in the area. Today, she is the agribusiness development director for the Kansas Department of Agriculture.

“Kansas felt like home to both of us,” Ron Hinrichsen said. “We started raising Angus cattle together and haven’t looked back. It’s the breed that puts it all together.”

Their primarily seedstock operation is built on heavy use of

AI and ET technology. Hinrichsen Ranch is focused on calving ease and carcass genetics and is breeding livestock with the commercial cattlemen in mind, they said.

The family sells bulls through a cooperative sale and in partnership with a family who leases cows from them. Females are sold privately throughout the year. The couple also develops heifers and steers for show prospects for their children, Cale and Eva, as well as other junior exhibitors. Cale and Eva work with their parents to develop their own cattle and show on the local, state and national levels.

In addition, the family believes in giving back by serving the Angus breed through their industry involvement. Ron Hinrichsen has been involved in their state association and served in many roles, including president. Lynne Hinrichsen has been a member of the Kansas and American Angus

Auxiliaries since first moving to the state.

“I admired a lot of the ladies who were working partners in their family operations,” Lynne Hinrichsen said. “I really enjoy

fostering relationships among the women in the organization and across the country while supporting the Angus youth through education and awards.”

She served as the 2015 President for the American Angus Auxiliary and completed her eighth year on the Angus Auxiliary board in 2016. Her commitment to the Angus breed has transpired to her kids, who are both actively involved in the Kansas and National Junior Angus Associations.

“It truly is a way of life for us,” Lynne Hinrichsen said. “I can’t think of a better way to live.”

“It truly is a way of life for us. I can’t think of a better way to live.”

— Lynne Hinrichsen

REGIONAL MANAGERS

American Angus Association regional managers travel many miles across the country each year serving as the “eyes and ears” of the Association. Commercial and seedstock producers alike find value in meeting with a regional manager about performance programs and services as well as marketing strategies to help advertise their operations.

Regional managers cover 13 territories across the U.S. and are extremely knowledgeable in the vast marketing opportunities and genetic advancements taking place at the Association. From commercial cattlemen to academic leaders to the junior association, there isn’t a demographic that regional managers can’t communicate with.

Chris Jeffcoat: DE, MD, ME, NH, VT, MA, RI, CT, NJ, NY, PA, VA, WV, NC

David Gazda: FL, GA, SC

Alex Tolbert: KY, OH, TN

Casey Jentz: IL, IN, MI, WI

Adam Conover: IA, MO

Rod Geppert: MN, ND, SD

Drew Feller: CO, NE

Jeff Mafi: KS, OK

Radale Tiner: NM, TX

Kurt Kangas: AK, MT, WY

Terry Cotton: AZ, CA, NV, UT

Jake Troutt: HI, ID, OR, WA

Mark Sims: AR, LA, MS, AL



JD Rosman, Angus Communications

49,484

Average
miles traveled

120

Average days
on the road

90

Average number of
sales attended

INFORMATION MANAGEMENT

Most would say “an association is only as strong as its membership,” and we would whole-heartedly agree. However, the Association also gains strength in its information management systems. The backbone of every program and advancement in the American Angus Association lies in the expansive Information Systems database.

As the number of registrations and size of data collected continues to increase, so does the need for advanced performance data recordkeeping. Pedigree information on more than 20 million head of cattle expands daily, and the Information Systems team is on the cutting edge of technological advancements to keep up with demand.

With the adoption of single step methodology, the genetic evaluation is computed weekly. A skilled team of internal programmers built the process in-house by incorporating the University of Georgia software. The process allows members to see their weekly genetic evaluation the week after data is submitted. All submitted data is kept and processed on-site at

the American Angus Association by the Information Systems team.

The Association’s online management system, AAA Login, is equipped with everything a producer needs to manage their herd. AAA Login was updated this spring to a new responsive format to work well on mobile phones, tablets and desktop systems. An updated version of the Angus Information Management Software (AIMS) version 3.0 became available in September. Also, AIMS has been re-platformed to a new technology with enhanced features, including an easier way of transferring data to and from the Association.

Throughout the course of fiscal year ’17, angus.org saw close to 28 million visits with an average of 75,000 views per day. The mobile friendly site became a go-to page for producers looking for Association news, beef industry updates and educational resources. With more improvements scheduled to be made in the future, the user-friendliness of the angus.org website will only increase.

LONG-TERM COMMITMENTS TO ASSOCIATION SUCCESS

Rich Wilson, chief financial officer, provided the Association with 48 years of service.



Photo courtesy of The St. Joseph News-Press

“That’s one small step for man, and one giant leap for mankind.”

Those are the famous words spoken by American astronaut Neil Armstrong when he became the first human to ever set foot on the moon in July of 1969. It’s no surprise that things were different in America in the late ’60s. The cost of a new house was roughly \$15,500, and a person’s average income was just \$8,500.

Additionally, the future of the American Angus Association’s financial success also was impacted in 1969: Richard Wilson joined the team.

Wilson was a graduate of Northwest Missouri State University working for Ernst & Ernst, a CPA firm in Des Moines, Iowa, when he and his wife Wanda wanted to make the move back to the St. Joseph, Missouri, area to be closer to family.

“I started out at as a comptroller, which was basically accounting at the time,” said Rich Wilson, Association chief

financial officer. “Since then, the change in the Association has been tremendous.”

When Wilson started at the Association, the focus was on maintaining registration papers, attending sales and hosting events.

“We still provide those services, but we were in the early days of performance concepts when I first started here,” he continued. “We were farsighted enough to get in at the ground floor on the evolution of performance programs for beef cattle, from estimated breeding values to EPDs and now genomics and everything else that happened along the way.”

During Wilson’s time as the chief financial officer, *Certified Angus Beef®* was

developed, the *Angus Journal®* was purchased and Angus youth associations grew with excitement. The Association reached levels never before seen by any other breed association during Wilson’s tenure.

“We went from being a breed association whose main concern was tracking and publishing pedigrees to truly an industry leader,” he said. “The Association’s leadership changed

beef from a commodity to a brand and has made Angus synonymous with good beef in the market place.”

When registrations were down and the Association faced financial distress in the late ’70s, Wilson assumed not

only the role of director of finance and administration but registrar as well. During his tenure, Wilson has served along side six association chief executive officers and has had to assume the role twice.

Wilson’s financial expertise lead the Association to become the largest beef breed association in the world and propelled it

“We went from being a breed association whose main concern was tracking and publishing pedigrees to truly an industry leader.”

— Rich Wilson

to industry-leading standards.

As Wilson retires from the Association, he offered words of wisdom to the membership he has served for 48 years.

“Congratulations on all we have been able to achieve,” he said. “Don’t become complacent. Continue to strive to improve the breed, Angus’s role in the industry and the Association’s ability to have an impact on it.”

Association Veterans

Behind every registration paper, piece of collected data or advertisement design is a member of Team Angus. With close to 50 years of service to the Association, Marg Dreesmann, LaVera Spire and Janet Shackelford have truly earned the title of “veterans.”

When Spire, Dreesmann and Shackelford began their careers at the American Angus Association in 1966, 1967 and 1968, respectively, the Association was on the forefront of technology advancements. The Association had recently expanded the building to make room for the growing staff, and the excitement around the Angus breed reached 406,310 registrations.

Dreesmann began her career with the Association as a computer programmer in the Information Systems department in the spring of 1967.

“The IS team has always been so generous,” she said. “I have always had such wonderful bosses and have been around people who were wonderful mentors. I have always felt valued.”

Throughout her 50-year career, Dreesmann was trusted with projects that have greatly advanced the Angus breed. Breeding value ratios, EPDs and performance formulas, to name a few.

“The challenges really kept me interested,” Dreesmann said. “The technology and tools from the beginning to now keep changing, and it really keeps things interesting.”

Shackelford began her career at the Association in August 1968. Originally, she started in pre-audit, similar to distribution today. She then moved over to the membership department and finally to data entry, where she has been since 1974.

During her time here, she has noticed the most change in the technology and efficiency in communicating with breeders. Throughout her nearly 50-year career, she has enjoyed building relationships with her co-workers and Angus breeders.

“I have laughed with them; I have cried with them and went down memory lane with them,” she said. “I have enjoyed talking with all of the breeders over the years.”

Spire retired from her role of publications and production manager in May of 2017. She began her tenure with the Association in the public relations department working with Keith Evans and Bob Snyder. She transitioned to her position with Angus Media in 2010, which she handled with her customary grace and effectiveness.



Marg Dreesmann



Janet Shackelford



LaVera Spire



ANGUS IS OUR DNA

Extensive preparation and management tactics have led operations to success.

The Collins family roots in the Angus breed run deep in the heart of Alabama.

After moving from Montgomery to Cusseta, Alabama, in 1944, James Collins and his son established Collins Farms with a focus on commercial cattle, grain and hay production. In the 1950s, the family expanded their commercial cow base with the first set of registered Angus females.

Today, the operation runs more than 400 cows across a three county span in eastern Alabama. With almost 60 years in the Angus business, each generation of family leadership has made improvements to elevate herd efficiency.

“For the past 25 years, we have fine tuned our focus of producing high quality females who maximize maternal traits while placing adequate focus on feeder attributes,” said Jim Collins, fourth generation partner of Collins Farms.

Collins Farms market approximately 100 bred heifers in their annual spring sale and sell steers in value added, preconditioned loads. They also merchandise bulls in three sales annually.

Collins plays a vital role in genetic selection, marketing and strategic planning decisions for his family’s operation.

“For decades, we have worked to set up our cattle for success,” Collins said. “GeneMax® Advantage™ and other genetic tests are good complements to Association tools we use in breeding, management and marketing decisions.”

Specifically, improving the accuracy of registered herd EPDs and assuring sire match capability were logical steps, he continued.

“Using GeneMax Advantage, initially on all our heifer crop and then eventually on all mature females, allows us to make more strategic breeding decisions, both natural service and AI,” Collins said. “We have been able to significantly reduce the number of outliers, and in multiple sire herds, identify bulls that are producing better females. Additionally, we have used the foot scoring guides to benchmark our cattle over

the last few years. Use of tools available from the Association has both validated decades of effort and helped fine tune our focus going forward.”

Collins Farms is just one of the thousands of operations utilizing the vast genetic suite offered by Angus Genetics Inc.® (AGI) to receive genetic data on their animals.

“We are maternally focused,” Collins explained. “We try to balance fertility, longevity and efficiency while also using genetics that inject enough feeding and carcass quality to ensure demand for our steers and bulls.”

As a testament to their efforts to create functional seedstock with balanced focus on end product, Collins Farms was selected as 2015 *Certified Angus Beef* Commercial Commitment to Excellence Award Winner.



Photos by Dale Heikes, Angus Media

Genetic Evaluation, Elevated

The American Angus Association became the first major beef breed association to adopt the monumental single-step evaluation methodology on July 7. The technology behind the single step evaluation was created as the result of collaboration with the University of Georgia, AGI and the American Angus Association.

The U.S. Meat Animal Research Center (USMARC) provided validation to the single step expected progeny differences (EPDs), and their analysis proved the new method superior over prior models.

Association members continue to receive calculated EPDs and dollar-value indexes (\$Values) on a weekly basis, an industry exclusive. The change to single step has allowed AGI to simplify calculation models used within the weekly National Cattle Evaluation (NCE).

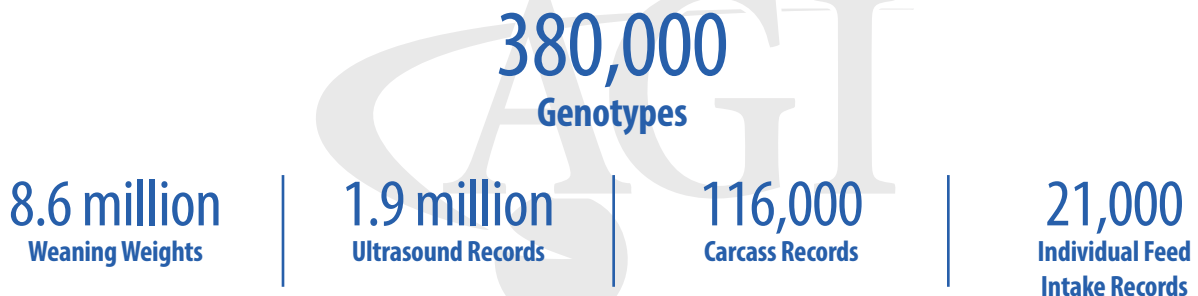
As the name indicates, single step methodology incorporates all genotype, pedigree, performance and progeny data simultaneously in one “single step” to derive genomically enhanced EPDs (GE-EPDs). As the number of genotyped Angus cattle continues to grow, the need for routine calibration in the prior multi-step process is eliminated with the use of single step.

Improvements to the carcass model are some of the most noticeable improvements incorporated with single step. The evaluation has streamlined the process of analyzing important traits of interest, including carcass weight, marbling and ribeye area, and will now include weaning weight to offset selection bias and yearling fat as an indicator of maturity into the carcass model.

Members also will notice NCE updated genetic parameters with single step. Heritability and genetic correlations have been re-estimated to best reflect the Association’s current data. Since AGI began calculating GE-EPDs in 2010, the abundance of genetic information has increased each year. An important factor within the improved Angus evaluation is simply the volume of genotypes being added to the expansive database. Genomic predictions are now based on more than 380,000 animals with genotypes in the NCE; whereas in the previous evaluation, the calibration was based on 108,000 genotypes.

Prior to the launch of single step, several internal checks and third-party verifications proved the generated data to be superior to existing methods.

It is the mission of the Association to ensure that Angus members receive the most accurate, weekly EPD updates that they have come to expect and trust.



Partners in Development

Angus and Neogen GeneSeek launch revolutionary Angus-specific genetic chip.

Another major advancement made by the industry-leading geneticists at AGI was the development of Angus GS™, a groundbreaking Angus-specific DNA profile. The next generation test designed by AGI and powered by Neogen GeneSeek features exclusive content specific to the Angus breed. Put simply, Angus GS delivers more power and accuracy in genomic-enhanced EPDs at a greater value.

Angus GS was designed specifically for the Angus breed, and it is available at the most competitive price point ever offered for a high-density test of its kind. Not only is the cost of \$37 an incentive for members, but it is the first high density genomic test to be built and customized specifically for Angus cattle.

The test includes 50,000 markers, with new markers targeting specific genomic regions of influence in Angus cattle. Additional markers for traits like fertility, feed efficiency and tenderness, including Calpain and Calpastatin, have been included to advance research for future trait selection.

ANGUSGS
Powered by Neogen GeneSeek

THE AMERICAN ANGUS DREAM

Commercial Angus producers reap the benefits of AngusSource.

Nestled 34 miles southwest of Winnemucca, Nevada, lies Star Creek Ranch in Imlay, Nevada. Salvador Galindo has called the desert terrain home since moving to the United States from Mexico at just 16 years old.

“The first time I came to the United States was in March of 1978,” Galindo said. “I worked for a few months and then went back to Mexico. In the 39 years since then, there have only been three summers I haven’t worked here.”

Galindo started as an employee of the Star Creek Ranch as a teenager and worked for ranches in the Imlay area as well as ranches in the Central Valley of California.

“I like this area because it’s a long way from town,” Galindo said. “I’ve been here for almost 40 years, and I will be here for the rest of my life.”

When the original owners of the Star Creek Ranch decided to lease out the operation, Galindo stayed on to work for the new manager, Frank Olagaray. After a few years, Olagaray wanted to move back to his native California. So, in 1987, he trusted Galindo to manage the operation for him. After 17 years as a manager, the pair worked together to help Galindo start purchasing the cattle and eventually, leasing more land.

Galindo started off by purchasing 25 Angus cows from Olagaray with his end-of-the-year bonus. Since his original purchase in 2004, Galindo has grown his operation to more than 450 commercial Angus cows. He runs his livestock on Bureau of Land Management (BLM) ground seven months out of the year and brings them back to private pasture every September.

As a commercial producer ranching on rough Nevada terrain, Galindo focuses his breeding decisions on low birth weights and end carcass merit. He leans on his seedstock producer, John Toledo of Visalia, California, to help select the best bulls for his cow herd.

“I met John Toledo when I was still working for Frank. I kept buying bulls from him even after I took over the ranch,”



Galindo said. “They’re honest people, and as long as he still has bulls to sell that work for my cattle, I will keep buying them from him.”

“When I buy the bulls and they are transferred to my name, John and I call AngusSource®,” Galindo said. “I am glad I am using AngusSource. It’s been working well for us.”

The AngusSource program was established to help producers market feeder calves and replacement females by verifying that their cattle are sired by quality registered and properly transferred Angus bulls.

Galindo saw premiums of more than \$18.75 per cwt in 2017 due to enrollment and utilization of the AngusSource program.

“I came to this country with nothing,” Galindo said. “I still don’t have much, but I have something. I am very grateful for this country and all the opportunities it’s given me.”



“ I am very grateful for this country and all the opportunities it’s given me. ”
— *Salvador Galindo*

Photos by Shelby Mettlen, *Angus Journal*

AngusSource Advantages

As cattlemen look to market their Angus-sired calves, participating in the AngusSource® and AngusSource Genetic® programs allows them to visually identify their cattle, which in turn, drives premiums come sale time. The USDA Process Verified Program (PVP) documents the group age, source and a minimum of 50 percent Angus genetics.

Summer 2017 video auction sales saw enrolled calves bring an average premium of \$2.02 per cwt on more than 22,100 head sold.

The backbone of the AngusSource program is the Marketing Document producers receive on calves enrolled in the program. The Marketing Document includes expected progeny differences (EPDs), dollar value indexes and percentile ranking tables. Offering data on the cattle allows potential buyers to know more about their investments and in turn allows them to pay more for quality genetics.

Additionally, more than 800 potential buyers receive email blasts of cattle selling at any auction market or private treaty each week. AngusSource also offers DNA testing for producers who wish to offer calf data to potential buyers with GeneMax® Focus™ or GeneMax® Advantage™.

AngusSource Premiums In Comparison

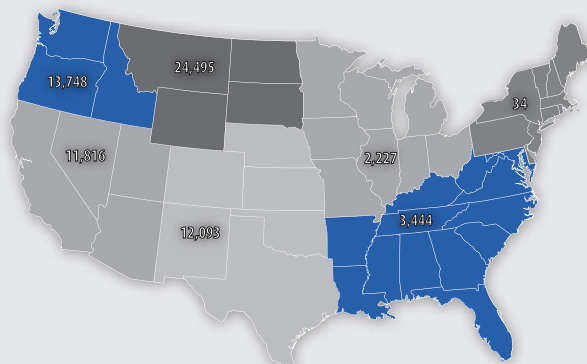
AngusSource

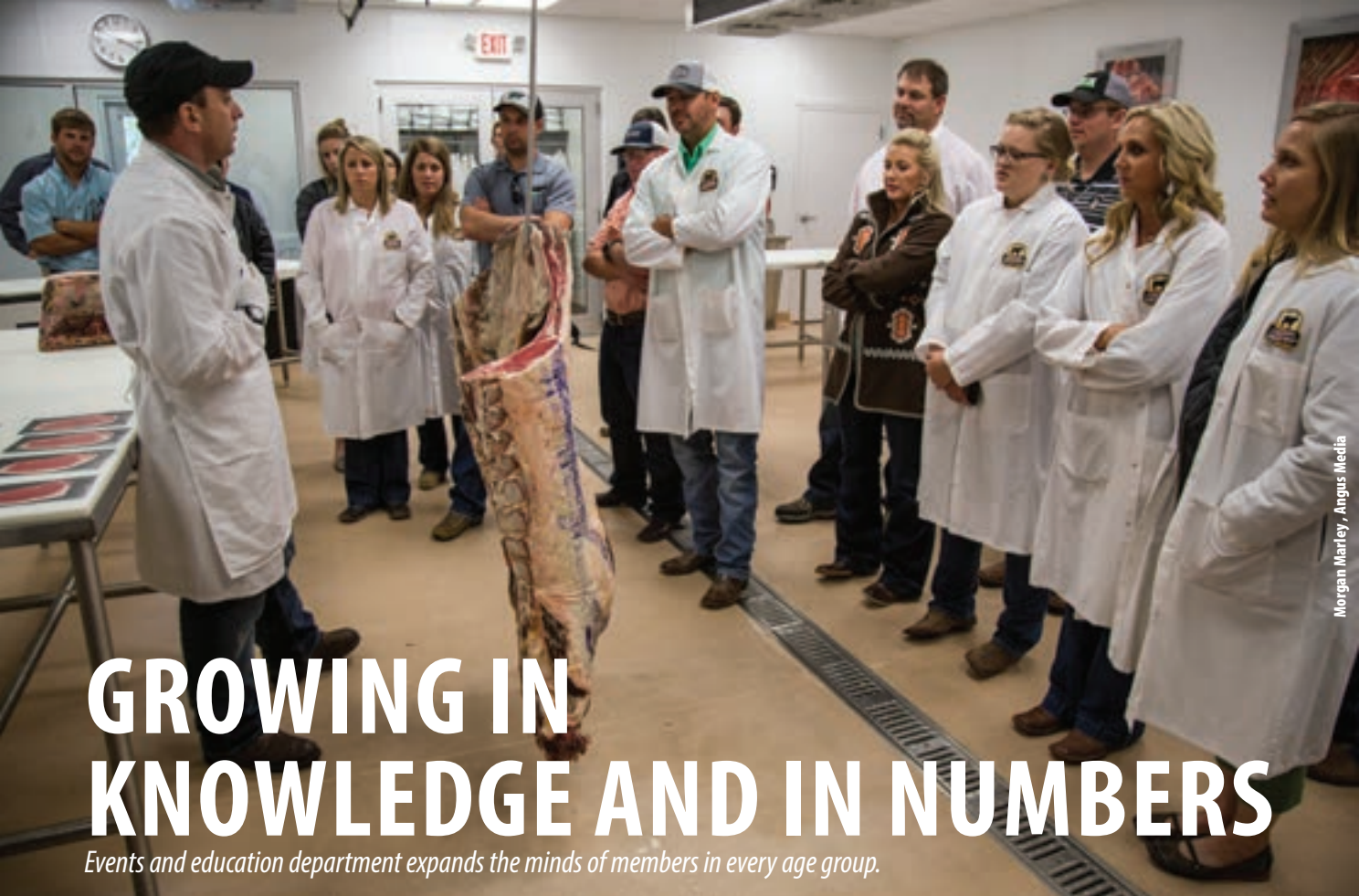
\$2.02

**Other Age
Verification Programs**

\$1.76

2017 AngusSource Enrollment 67,857





GROWING IN KNOWLEDGE AND IN NUMBERS

Events and education department expands the minds of members in every age group.

Clay Richardson of Richardson Cattle Company traveled from Carlsbad, New Mexico, to St. Joseph, Missouri, to attend this year's Beef Leaders Institute (BLI).

"We learned a lot of beneficial information about every sector of the industry," Richardson said. "It started with feedlot efficiency and how to grade cattle before we learned about producing cattle for the *Certified Angus Beef* program."

Attendees learned more in-depth information regarding the *Certified Angus Beef*® brand, grading and specifications on the tour, he continued.

"Our operation is focused on improving our cattle on the rail and gaining a premium price," Richardson said. "I'd encourage anyone who's interested in learning about the industry and growing their operation to attend."

Celebrating its 10-year anniversary with support from the Angus Foundation, BLI was created to enhance the knowledge and leadership skills of Angus producers between the ages of 25 and 45. Selected participants gain a deeper understanding of the cattle feeding and processing industry in just five days.

This year, 17 American Angus Association members from 10 states gained a better understanding of reproductive technology, feedlot organization, packing plants, Association programs and the *Certified Angus Beef* brand by enrolling in the program.

The Association also hosted two Cattlemen's Boot Camp events, partnering with the University of Nebraska-Lincoln and the University of Kentucky. The two groups had a combined total of 140 seedstock and commercial producers

in attendance. Association and university staff instructed attendees on genetic selection, reproductive technology, forage management and marketing tips to help advance their operations' success.

With goals of educating the membership of the Association and improving the knowledge of the business breed, the events and education department plans numerous events throughout the course of the year. The team of four organizes and facilitates educational seminars, showing competitions and social events across the U.S. for both junior and adult members.



Also, the Association's Roll-of-Victory (ROV) program included 19 ROV shows with nearly 2,000 cattle competing for points. The ROV program provided premium support to nearly 40 open shows and more than 50 junior shows across the country in fiscal year '17.

National shows such as the North American International Livestock Exposition (NAILE) in Louisville, Kentucky, and the National Western Stock Show (NWSS) in Denver attracted thousands of Angus enthusiasts to each of the remarkable Angus competitions.

"It has been an exciting year for the members of the Association," said Jaclyn Clark, Association director of events and education. "We look forward to engaging with more members in the coming fiscal year."



National Angus Bull Sale Marks Impressive Attendance Records

Thousands of Angus enthusiasts attend one of the largest attractions at the NWSS.

The National Western Stock Show (NWSS) has been a fixture on most cattlemen's calendars for more than a century. Each January, livestock enthusiasts travel from all parts of the country to watch livestock competitions, purchase new breeding pieces and network with fellow producers in the Mile High City.

The historic National Western Coliseum came alive with excitement as more than 2,500 attendees packed the house for an impressive National Western Angus Bull Sale on Jan. 11, 2017. The coliseum, built in 1909, draws a sense of significance to those who enter the weathered brick building. The wooden green chairs have seen thousands of visitors who attend the NWSS on "the Hill" each winter. One of the can't-miss events held each year is the National Western Angus Bull Sale event.

The National Western Angus Bull Sale, the only sale managed by the American Angus Association each year, grossed \$306,250, with an impressive average of \$6,805 on 45 lots of bulls and five embryo packages. The Angus Foundation Heifer Package commanded a healthy \$170,000 to lead off the sale.

"The National Western Angus Bull Sale brings together consignments among breeders from across the country," said David Gazda, Association regional manager and sale manager. "From the impressive lots to the entertainment afterward, it truly is an event for everyone. There is an option available for every operation, regardless of the size of your program. We are excited for the Association to offer this service to our members."



INSPIRING YOUTH LEADERSHIP

National Junior Angus Association inspires the next generation of beef industry leaders.



The 2017 National Junior Angus Show (NJAS), held July 8-15 in Des Moines, Iowa, drew a record number of entries and near-record number of participants, but that wasn't the most significant occurrence at the show. Alec Gotto and his steer J.D. brought the crowd to its feet as he made his way on to the green chips.

Eleven-year-old Gotto of Dyersville, Iowa, let nothing stand between him and the showing this summer. His story of unwavering faith and hard work won the hearts of those in and out of the ring.

The connection between Gotto and his steer was clear. Months of training and patience led the pair to a fourth in class placing, but it wasn't about the ribbon for Gotto.

As his steer trailed beside him, a monumental moment occurred in the coliseum. The crowd rose to its feet to applaud the young man and his courage as the judge gave her remarks. His experience is a true testament to the mission of the National Junior Angus Association (NJAA): to encourage Angus youth to become involved with projects and develop their skills and character.

More than 700 Angus juniors exhibited 1,264 head of Angus cattle at the NJAS. Junior members also displayed their skills during 19 educational contests and events throughout the week.

Participation at the NJAA's regional shows also was strong in 2017. The Western Regional Junior Angus Show took place in Reno, Nevada, with 114 head of cattle shown, and the Eastern Regional was held in conjunction with the All American Breeders Futurity Junior Show in Louisville, Kentucky, with 336 head shown.

In addition to showing activities, youth leadership development conferences were held across the country. The annual Leaders Engaged in Angus Development (LEAD) conference allowed NJAA members to navigate Raleigh, North Carolina, Aug. 3-6.

More than 140 juniors were exposed to more than just agriculture during the three-day conference. The group toured local agribusinesses in North Carolina as well as Wood Angus Farm in Willow Spring, North Carolina, and Caterpillar's headquarters.



The mission of LEAD is to help build and strengthen leaders within the Angus industry. Offering juniors the educational opportunity to network with fellow Angus enthusiasts and industry professionals is a unique experience provided by the NJAA.

In addition to LEAD, more than 40 juniors attended Raising the Bar conferences in Des Moines, Iowa, and Baton Rouge, Louisiana. Participants were able to spend three days learning from experts in the beef business, networking and exploring college campuses in different parts of the country.



Front row, from left to right: Sydnee Gerken, Corbin Cowles, Will Pohlman, Madison Butler. Back row, from left to right: Hayley DeHaan, Michaela Clowser, Brody Fitzgerald, Madison Sundsbak, Catie Hope, Dawson Dal Porto, Jordyn Wagner, Jera Pipkin



JD Rosman, Angus Communications

LEADING ADVANCEMENTS IN MARKETING

Under new leadership, Angus Productions Inc. reaches new heights.

Fiscal year '17 brought many changes and improvements to the Angus Media team, and there are even more on the way for 2018.

Under the new leadership of Angus Productions Inc. (API) President Rick Cozzitorto, plans are drawn to reorganize staff and marketing strategies moving forward.

Cozzitorto joined the Angus Media team in July, previously serving as the executive director for U.S. cattle sales with Merck Animal Health. He brings decades of experience as a business executive and collaborative leader to the helm of API.

As an Angus breeder, he has a long history with the Association. Cozzitorto has been involved with many high-level sales and marketing positions, employee management, livestock publications and even served as a Regional Manager for the Association. He currently resides outside of Lawrence, Kansas, with his wife, daughter and herd of Angus cattle.

Another new addition to the API team is Missouri native Sara Reardon, who assumed the position of general manager. Reardon brought more than a decade of experience to the table, previously serving as a coordinator with Angus Media and as the senior digital marketing specialist for Boehringer Ingelheim Vetmedica Inc. She began her role in May and hit the ground running in reorganizing and restructuring production activity and work flow across the board.

Throughout the course of 2017, API picked up awards from nationally recognized organizations. Angus Media contributors earned 16 firsts, 10 seconds, two thirds and six honorable mentions from contests sponsored by the Livestock Publications Council (LPC), the American Agricultural Editors Association (AAEA) and the Agricultural Communicators of Tomorrow (ACT). Among the first-place honors were the *Angus Beef Bulletin EXTRA* eNewsletter and Rural America Rises digital and social media feature, just to name a few.

Also notable, editors Kasey Brown and Shelby Mettlen both received 2017 Alltech Cultivating Young Journalists awards. Brown moved up to Level 3 of AAEA's Master Writing Program, while Mettlen, CAB Producer Communications Specialist Laura Conaway and member freelance writer Joann Pipkin moved up to Level 2.

Fresh Team, Fresh Approach

Close to 13,000 subscribers await the *Angus Journal*® to arrive in their mailboxes each month. The nationally recognized magazine shares beef industry updates, Angus stories and show results in every jam-packed issue. With changes across the Association on the horizon, the Angus Media team is excited to unveil a redesign of the *Angus Journal* magazine in early 2018.



Rick Cozzitorto, President of Angus Productions Inc.



Sara Reardon, General Manager of Angus Productions Inc.

The process of the *Angus Journal* redesign was not a task taken lightly by staff. The progression began in July, and the official redesign is set to launch with the January issue during the National Western Stock Show in Denver, Colorado.

"We are very excited to reveal the new look with the January 2018 issue," said Shauna Hermel, *Angus Journal* editor. "Our creative team has been working diligently to create a fresh look that will engage our readers."

Staying up-to-date with industry trends and marketing advancements is what keeps the Angus Media productions at the top of the publication leaderboard.

"We couldn't think of a better place than the National Western Stock Show to reveal the new *Angus Journal*," Cozzitorto said. "It's exciting to see what new updates we have in store for our customers."

Following the *Angus Journal* redesign will be a redesign of the *Angus Beef Bulletin*® in late 2018.

Connecting with our members

110,000

Facebook page likes

14.6k

Twitter followers

19.6k

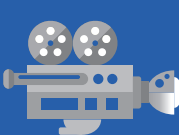
Instagram followers

+737k

AngusTV views

+28 million

Website views

52
episodes per year

The Angus Report

198,000
average episode views

I Am Angus

200

News Releases Sent



19,223,820 = 38,447,640
spread page views individual page views

ONE ASSOCIATION, ONE VOICE

Communications group aims to refocus Association-wide communication efforts.

The public relations and communications group represents a storied treasure that is significant to the history of the beef cattle business. Successful advertisement campaigns such as Frank Murphy's original paintings and "The Blacks, the better beef" campaigns were developed by the communications group throughout the years.

Also under new leadership, the current communications group is composed of nine creative individuals responsible for creating and developing industry relevant content across various platforms.

"The communications group is the next generation of the public relations department," said Clint Mefford, Association director of communications. "With our young, creative and talented team, we will be able to deliver more meaningful content than ever before."

The communications group aims to truly serve as the voice of the American Angus Association.

In accordance with the redesign of the *Angus Journal*® and *Angus Beef Bulletin*®, *The Angus Report* also will receive a redesign in the beginning of 2018. *The Angus Report* is a leading source of industry news for cattlemen of all demographics.

In 2017, the communications department released more than 200 news releases to media contacts around the country. Spreading the word of Association updates, advancements and accomplishments is just one of the many facets of the communications group.

Additionally, the communications team manages the vast amount of Angus stock images available for purchase throughout the year. In fiscal year '17, the communications team managed more than \$6,500 in sold images.



Photos by Leann Schleicher, Angus Media

ANGUS ON THE ROAD

Angus Convention draws nearly 2,000 cattle producers and allies.

The Angus breed's legacy in both leadership and genetics has set the precedent for the next generation of cattlemen. However, our members' longstanding reputation for forward-thinking progress didn't happen overnight. Years of research led to advancements, and the adaption of those advancements by producers led to an increase of Angus quality.

Much of this progress made by Association members is cumulated and discussed at the Angus Convention each November. For the first time, the 2016 convention was held in Indianapolis, Indiana, and brought together cattlemen and women of every age group and from every area of the United States.

Angus Convention attendees who traveled to the Hoosier state experienced the one-of-a-kind National Angus Tour before the official start of the convention. More than 200 guests attended the daylong tour sponsored by Merck Animal Health and Zoetis. Attendees explored Indiana agriculture and cattle production at Willer Timber Ridge Angus in Greencastle, Stewart Select Angus in Greensburg and Coverdale Angus in Frankton.

Angus University, sponsored by Merck Animal Health, hosted a myriad of workshops for quality-minded cattlemen looking to gain new perspectives and improve efficiency on their farm or ranch. The sessions carried a message of leadership on the main stage.

Another highlight of the 2016 Angus Convention was the multiple learning and educational opportunities sponsored by Zoetis. The Innovation Workshop covered the latest genomic tools and how to use them across operations. The American

Angus Association and Neogen GeneSeek hosted the second-annual Genomics Symposium to provide cattlemen with industry-leading information regarding advancements in genomics technology and how the updates would impact their operations.

Participants enjoyed *Certified Angus Beef*® meals throughout the convention and entertainment by Sawyer Brown. The American Angus Association also hosted the 133rd Annual Convention of Delegates, where representatives from each state or district voted on Association business and elected the newest class of the Association's Board of Directors.

The 2016 Angus Convention brought together nearly 2,000 participants to enjoy a weekend full of education, networking and entertainment. The Angus Convention is the perfect place to share information, learn about Association entities and programs, as well as the latest innovations in genetic research.



SAVE THE DATE

2018 | Columbus, Ohio 2020 | Kansas City, Missouri

2019 | Reno, Nevada 2021 | Fort Worth, Texas



Shelby Mettlen, Angus Journal

Grand Prize Winners

First-time Angus Convention attendees Kenneth and Carol Webb traveled to Indianapolis from eastern West Virginia with no idea they would return home with much more than knowledge.

The Webbs were the lucky winners of a complete livestock handling system, donated by Priefert Manufacturing and Tru-Test Group. The state-of-the-art handling system, which included the latest weighing and electronic identification technology, was valued at \$26,700.

The grand prize was on display in the Priefert Cattle Handling Demonstration Arena during the convention.

"I watched the cattle being worked in there and then walked around the chute, trying to figure out what I could get by with and what could help us out," Kenneth Webb said. "I never dreamed I would own the whole system."



JD Roman, Angus Communications

Kenneth has worked as a local welder and Carol as an agricultural instructor for the past 30 years. The couple said their Angus cattle operation is their retirement plan, and the Priefert and Tru-Test chute will make their dreams a reality.

LONGSTANDING SUPPORT

Angus Foundation sponsors help prepare Angus youth for the future.



When approaching Briarwood Angus Farm in Butler, Missouri, a hanging metal sign featuring an Angus bull with “Briarwood Angus” in painted letters greets visitors. An immaculately groomed driveway leads to the legendary wagon in the front yard and up to the 60-year-old silos and crisp white and green painted barns. Dr. Curtis (Doc) and Anne Long purchased the operation in 1964 and have since become one of the longest standing supporters of Angus youth to date.

“We started here in 1964 and have been in the Angus business the whole time,” Dr. Long said with a smile. “We purchased the place for \$150 an acre, and I think we spend that on fertilizer now-a-days.”

Doc attended the University of Missouri-Columbia School of Medicine and has been a practicing family medical doctor for more than 50 years. Along with his successful medical career, he has grown Briarwood Angus Farm to approximately 200 head of registered Angus cattle.

Doc’s background in the cattle industry began long before his medical career. He grew up on his family’s cattle operation where his father also owned a packinghouse. As a founding partner of the producer-owned marketing company U.S. Premium Beef, Dr. Long is truly immersed in all segments of the beef industry.

“About 20 years ago, Anne and I began sponsoring a carcass contest at the county fair,” Dr. Long said. “Then we sponsored one at the Missouri State Fair and then the National Junior Angus Show.”

By sponsoring multiple carcass contests throughout the year, Dr. Long hopes youth learn to understand the

importance of carcass data and the role Angus genetics play in improving the beef industry.

“The carcass contest is supposed to be a learning process for Angus youth,” Dr. Long said. “The Angus Foundation is good for the consumer, good for the industry and good for the kids. Out of all of the foundations I’ve worked with, they have the best youth to work with and the resources and research to back it up.”



**Angus
Foundation**
EDUCATION • YOUTH • RESEARCH

Funding for a Cause

The true mission of the Angus Foundation lies in its efforts to promote education, youth and research within the Angus breed and beyond. Over the course of fiscal year '17, the Angus Foundation raised more than \$1.1 million in contributions in order to fulfill its commitments to the Angus breed.

Generous benefactors made the monumental milestone possible for the Angus Foundation: surpassing \$20.5 million in total assets. Funds are utilized in not only youth scholarships and educational opportunities but also research as well.

Since 2005, the Angus Foundation has invested more than \$1.35 million in research efforts that reach far and wide across the country and beef cattle industry. In fiscal year '17, the Angus Foundation sustained four research initiatives conducted at academic institutions across the U.S.

Research topics include beef eating experience, heat tolerance, fertility and reproductive and growth performance. Studies

initiated by the Angus Foundation can position the Angus breed for success in the future. The research drives increased consumption and more growth of the beef industry, ultimately benefiting the consumer.

In addition to research advancements, the Angus Foundation announced more than \$213,000 was awarded in 116 general unrestricted and donor restricted scholarships to outstanding undergraduate and graduate students at the National Junior Angus Show (NJAS). Unrestricted scholarships are defined as gifts without specific allotment; whereas, restricted scholarships are given with a specific endowment or scholarship in mind.

When the NJAS scholarship dollars are combined with other donor restricted funds available for undergraduate and graduate scholarships, the total dollar amount reaches more than \$275,000.



**MISS
AMERICAN ANGUS**



Each fall at the Angus Convention, five young ladies are selected to compete for the crown of Miss American Angus. Sponsored by the American Angus Auxiliary, the chosen participant is given the opportunity to assist with livestock shows and educational events to help spread the word about the beef industry and the benefits of utilizing Angus genetics.

The 2017 Miss American Angus, Keegan Cassady of Normal, Illinois, charmed the judges with her personality and knowledge of the business breed.

Cassady, daughter of Jerry Cassady and Erica Johnson, is a sophomore at Oklahoma State University majoring in animal science with a business option. She hopes to attend law school in the future.

"I have met some amazing young women through this position, and I am thankful for the opportunity to help develop their leadership skills," she said. "I hope more young women get involved as early as possible, not only in royalty but also in other contests and events as well."

ANGUS AUXILIARY CELEBRATES 65 YEARS

A legacy of inspiring future leaders.



The American Angus Auxiliary made strides to advance their mission of breed promotion and youth development through numerous programs and activities yet again in fiscal year '17. The Auxiliary connects more than 1,000 women from all states and backgrounds to promote the Angus breed and present awards to aspiring Angus youth.

"The friends you meet through the Auxiliary, the traditions you are able to be a part of and the support for the juniors is rewarding," said Julie Murnin, Auxiliary president. "We are grateful to be another resource to our breed and are appreciative of the support we receive from the American Angus Association, Angus Foundation, National Junior Angus Association and *Certified Angus Beef*."

The Angus Auxiliary held meetings in St. Joseph, Missouri, and Des Moines, Iowa, this year. During the National Junior Angus Show (NJAS), the Auxiliary helped to sponsor the crowd favorite contest: the *Certified Angus Beef*® Cook-



2017 Auxiliary Board, Front Row, from left: Cindy Ahearn, Leslie Mindemann, Julie Murnin and Shally Rogen. Back Row, from left: Gina Hope, Deanna Hofing, Melanie St. Blanc Kiani, Karla Knapp, Vivian Wolf and Cara Ayres

off. Other sponsored awards included the Silver Pitcher, Showmanship, Crystal award, Grote award, Grote LEAD award, Black Kettle award and the Spader award.

The Auxiliary also hosted Julie Sexten of *Certified Angus Beef* at their social to teach contestants and parents how to make a French pastry, *pâte à choux*.

In accordance to their mission of supporting Angus juniors, the Auxiliary awarded \$17,000 in scholarships at the NJAS. Their Full Circle online sale raised more than \$10,000. Twenty consigners and buyers participated in the sale where funds will come full circle in support of the Angus breed and youth in the future.

"I love that the breed is rooted in tradition, yet continues to advance to meet the demands of the future," Murnin said. "The Auxiliary mirrors this model in learning from the past, upholding the traditions started long ago and continuing to promote the breed to advance it to the future and beyond."



MORE THAN MARBLING

Strong demand lifts Certified Angus Beef brand to 25 percent growth in two years.

It was inevitable: there would be more beef to sell in this third year of U.S. cow herd expansion. Better news emerged by spring: more of it would be premium quality. Even better by summer: the rancher, restaurateur and retail partners in the *Certified Angus Beef®* (CAB) brand were headed for another record year.

Sales of 1.12 billion lbs. marked an increase of 106 million lbs., or 10.4 percent over last year. That makes CAB's 39th fiscal year ending Sept. 30 one of its best and part of a two-year, 25 percent rate of growth.

"This is more than a celebration of marbling," CAB President John Stika said at the brand's annual conference in September. "This is about relationships and the people who have elevated the relevance of this brand in the eyes of the consumer and across an entire industry."

Encompassing seven of the 10 best sales months in CAB history, fiscal year '17 set an 11th consecutive annual sales record, continuing a 13-year streak of year-over-year growth.

A Strong Supply

The gratitude, Stika said, belongs first to the ranching families who meet consumer demand with "intentionality" and uncommon speed. Meaningful genetic improvement takes years, "but fortunately, the economic signals sent to producers have been loud and consistent. And they've responded in a big way."

He credits a dramatic and positive shift in quality as producers rebuilt their herds.

"They literally and intentionally assembled the highest-quality, most Angus-influenced cow herd we've ever seen in North America," he said. In fact, CAB's 33 licensed packing plants saw a continued increase in Angus-type cattle identified, up 12 percent from last year to reach 15.2 million head.

After years of drought and downsizing, cattle replaced and bred with an emphasis on genetic and genomic potential entered the market. Access to that increased and focused supply led graders to certify a record of more than 87,000 carcasses per week, totaling 4.53 million for the year. That set an all-time high and annual CAB acceptance rate of 29.7 percent, more than double the 2006 rate.

Supported by a strong supply, the brand's market share expanded as well. In 2006, only 6.6 percent of all fed cattle harvested through licensed packers were eligible to earn the brand name by meeting all 10 of its quality specifications, while 37.5 percent of fed cattle graded USDA Select. Lacking demand, the Select share fell to just 18 percent in 2017, eclipsed by the niche that took over mainstream market share at 18.4 percent for CAB.

Creating Brand Loyalists

Even so, the branded beef marketplace is more crowded, noisier than ever, Stika said, so licensed partners from a global network of more than 19,000 had to become even more innovative and forward thinking.

They met the challenge as CAB sales exploded by 26.4 percent in 49 foreign markets, reaching 174.5 million lbs., the best year ever for international sales.

This rise represented more than 30 percent of total brand growth for the year and was supported by business in new markets—China, the Dominican Republic and Peru—and strong gains in established ones such as Japan, South Korea, Hong Kong, Mexico and Canada.

Retail, the largest division of sales, represented more than 40 percent of the annual total, setting a record of 456 million lbs. sold. Lower prices generated more sales flow and opportunities to feature the brand in advertising. CAB's top

50 retail partners saw an average of 6.6 percent growth, while two-thirds of them increased same-store sales.

The foodservice division climbed 30 million lbs. higher than last year to reach a record 385 million lbs. sold. Licensed broadline distributors and specialty meat companies increased sales by more than 9 percent, while sales to licensed restaurants increased more than 12 percent, demonstrating the value of the brand to chefs who prize its consistent quality, and patrons who crave the flavor.

The summer season increased demand for ground beef and premium steaks, while roasts remained a staple for holiday celebrations and family gatherings.

Leading the charge were end meats with an 85 million lb. increase, up 13.5 percent over last year, with ground beef sales growing by 1.7 million lbs. to total 158.6 million lbs. Sales of middle meats were up 8.4 percent.

Marinated thin meats, fully cooked burgers and fresh corned beef were the most favored items from the value-added products division that rose by 5.5 percent to reach 27 million lbs. sold.

Consumers also demanded 35.3 percent more CAB brand Prime in fiscal year '17, lifting sales to 20.7 million lbs.

In the Future

The world's largest and leading beef brand remains in a long-term growth trend, with partners who study the market to ensure it stays that way. Those who purchase balanced-trait registered Angus bulls at least average for marbling and ribeye

area help supply the brand owned by Angus producers and sought by consumers who want Angus beef at its best.

Through management and genetic decisions that improve their herds and satisfy consumers, cattle producers stand to earn \$50 or more per head as a share of the \$50 million in grid premiums CAB cattle earn each year.

The brand continues to educate both producers and consumers. Its Masters of Brand Advantages program empowers retail and foodservice partners through intensive training, while opportunities at the CAB Culinary Center and "ranch days" across North America provide hands-on learning and strengthen the brand's place in the market.

"I still contend to this day that *Certified Angus Beef* allows us all to be a part of something bigger than ourselves," Stika said.

Through an alignment of goals and philosophies, all are focused on the same quality endpoint.

A large part of that is service, as a vehicle that transfers consumer trust to support businesses and families worldwide, Stika said.

"We aspire to make life more enjoyable, to add a bit of flavor to the lives of every person who touches it," he said. "By identifying and promoting what is simply the most premier brand of beef the Angus breed has to offer, we support farmers and ranchers, who every day are pursuing their own individual obligations to protect and care for their land and their cattle."



1.12 BILLION LBS.
of *Certified Angus Beef*® brand sold

FINANCIAL STATEMENTS



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, 2017 and 2016, 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

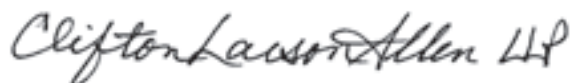
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable 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, 2017 and 2016, 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 17, 2017

American Angus Association and Its Subsidiaries Consolidated Statements of Financial Position

September 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,201,715	\$ 3,883,222
Accounts Receivable	4,223,558	4,015,076
Pledges Receivable, Net - Current Portion	344,810	347,900
Income Tax Receivable	26,218	-
Interest Receivable	6,273	5,654
Inventories	1,089,163	1,079,358
Prepaid Expenses	893,034	977,257
Deferred Income Taxes	1,870	106,375
Total Current Assets	9,786,641	10,414,842
Investments		
Unrestricted - Association	12,028,191	10,996,799
Unrestricted - Subsidiaries	6,304,893	5,630,467
Board Designated	16,259,242	14,368,855
Temporarily Restricted	1,926,954	1,547,168
Permanently Restricted	12,366,555	12,191,684
Total Investments	48,885,835	44,734,973
Property and Equipment		
Buildings and Land Improvements	7,043,370	6,809,386
Furniture, Fixtures, and Equipment	3,855,587	3,728,929
Electronic Data Processing Equipment	4,794,116	4,493,521
Total, at Cost	15,693,073	15,031,836
Less: Accumulated Depreciation	9,869,034	9,519,716
Total Property and Equipment	5,824,039	5,512,120
Other Assets		
Deferred Income Taxes	317,729	165,991
Long-Term Pledges Receivable-Net	1,816	2,660
Total Other Assets	319,545	168,651
Total Assets	<u>64,816,060</u>	<u>\$ 60,830,586</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable - Trade	\$ 3,209,943	\$ 2,576,839
Accrued Liabilities	1,826,697	2,527,398
Taxes Payable	21,529	38,100
Deferred Income	1,679,343	1,538,819
Total Current Liabilities	6,737,512	6,681,156
Long-Term Liabilities		
Deferred Compensation	500,133	423,616
Accrued Post Retirement Benefits	1,547,960	1,391,607
Capital Lease Payable - Long-Term	-	4,564
Total Long-Term Liabilities	2,048,093	1,819,787
Total Liabilities	8,785,605	8,500,943
Net Assets		
Unrestricted:		
Operating	25,527,363	24,278,048
Board Designated	15,890,665	14,024,655
Temporarily Restricted	2,025,508	1,571,307
Permanently Restricted	12,586,919	12,455,633
Total Net Assets	56,030,455	52,329,643
Total Liabilities and Net Assets	<u>\$ 64,816,060</u>	<u>\$ 60,830,586</u>

See accompanying Notes to Consolidated Financial Statements.

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

Years Ended September 30, 2017 and 2016

	2017	2016
Revenues, gains, and other support		
Royalties	\$ 24,477,325	\$ 22,375,214
Advertising Income	7,745,958	7,363,779
Registrations	4,541,698	4,488,063
Transfers	1,004,754	972,145
Artificial Insemination Certificates	1,637,240	1,569,990
Memberships	1,504,880	1,493,470
Performance Programs	1,243,754	1,157,348
AngusSource®	423,518	340,919
DNA Tests	7,671,553	7,417,664
Web Services Revenue	530,339	511,818
Subscriptions	632,927	624,721
Contributions	809,769	1,431,618
Account and Merchandise Sales	705,679	682,401
Software Sales	33,018	36,125
Creative Media Services	1,075,580	836,169
Support Fees	2,236,132	2,125,941
Other Income	147,521	157,696
Net Investment Income	1,941,545	1,812,091
Total Revenues, Gains, and Other Support	58,363,190	55,397,172
Expenses		
Certified Angus Beef	24,893,761	23,389,791
Angus Productions	10,552,697	9,755,294
Angus Genetics	8,059,708	7,339,408
Member Services	4,517,199	4,220,152
Commercial Programs	1,126,621	1,077,197
Industry and Member Communications	1,739,734	1,419,713
Field Services	1,572,547	1,549,634
Activities	3,038,268	2,554,877
Angus Foundation	1,272,804	1,155,239
Total Expenses	56,773,339	52,461,305
Changes in Net Assets Before Other Provisions and Net Unrealized Gain on Investments	1,589,851	2,935,867
Provision for Taxes	(40,395)	(33,620)
Provision for Post Retirement Benefits	(230,642)	(123,676)
Net Unrealized Gain on Investments	2,384,631	2,162,823
Changes in net assets before income taxes	3,703,445	4,941,394
Provision for Income Taxes	(2,633)	(28,692)
Changes in Net Assets	\$ 3,700,812	\$ 4,912,702
Changes in:		
Unrestricted Net Assets	\$ 3,115,325	\$ 3,421,650
Temporarily Restricted Net Assets	454,201	650,273
Permanently Restricted Net Assets	131,286	840,779
Changes in Net Assets	3,700,812	4,912,702
Net Assets - Beginning of Year	52,329,643	47,416,941
Net Assets - End of Year	\$ 56,030,455	\$ 52,329,643

American Angus Association and Its Subsidiaries Consolidated Statements of Cash Flows

Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Changes in Net Assets	\$ 3,700,812	\$ 4,912,702
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	900,290	1,028,140
Loss on Sale of Equipment	1,748	8,294
Net Realized Gains on Investments	(537,390)	(955,693)
Net Unrealized Gains on Investments	(2,384,631)	(2,162,823)
Deferred Income Taxes	(47,233)	(37,510)
Contributions Restricted for Long-Term Purposes	(167,011)	(4,089,230)
Effect of Changes in Operating Assets and Liabilities:		
Accounts and Interest Receivable	(209,101)	(437,862)
Pledges Receivable - Net	3,934	3,242,282
Income Taxes Receivable	(26,218)	22,703
Inventories	(9,805)	(113,958)
Prepaid Expenses	84,223	(177,838)
Accounts Payable - Trade	633,104	417,093
Accrued Liabilities, Deferred Income, Deferred Compensation, Post Retirement Benefits, and Awards	(403,824)	324,708
Taxes Payable	(16,571)	38,100
Net Cash Provided by Operating Activities	1,522,327	2,019,108
Cash Flows From Investing Activities		
Proceeds From Sale of Equipment	48,376	28,390
Proceeds From Sale of Investments	3,674,021	3,344,829
Purchases of Property and Equipment	(1,262,333)	(1,188,624)
Purchases of Investments	(4,826,345)	(6,576,887)
Net Cash Used by Investing Activities	(2,366,281)	(4,392,292)
Cash Flows From Financing Activities		
Proceeds from Contributions for Investment in Permanent Endowment	167,011	4,089,230
Principal Payments on Capital Lease Payable	(4,564)	(8,910)
Net Cash Provided by Financing Activities	162,447	4,080,230
Net Increase (Decrease) in Cash and Cash Equivalents	(681,507)	1,707,136
Cash and Cash Equivalents - Beginning of Year	3,883,222	2,176,086
Cash and Cash Equivalents - End of Year	\$ 3,201,715	\$ 3,883,222

See accompanying Notes to Consolidated Financial Statements.

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

September 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Use of Estimates in Preparing Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into the Association's consolidated financial statements include: the royalty income due from meat packers; the allocation factors used to allocate costs among the various programs and supporting services of the Association; the estimated timing and collectibility applicable to pledges receivable and accounts receivable; the potential for state and local tax liabilities; the required liability for post retirement benefits; and the estimated final distribution of an estate. Actual results could differ from those estimates.

Net Assets

Financial statement presentation follows the recommendations of 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 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.

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

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

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

September 30, 2017 and 2016

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

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

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

Inventories

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

Investments

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

Impairment of Long-Lived Assets

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Property and Equipment

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

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

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

Deferred Income

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

Contributions

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

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

Advertising Costs

The Association expenses advertising costs as incurred.

Post Retirement Benefits

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

Income Taxes

The Association and Certified Angus Beef, LLC are nonprofit organizations exempt from income taxes under Section 501(c)(5) of the 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

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

September 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2017. The Association has no material tax positions at September 30, 2017 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, 2017 and 2016.

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 2—ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2017	2016
Trade Receivables	\$ 3,546,682	\$ 3,458,405
Royalty Receivables	676,876	556,671
Total	<u>\$ 4,223,558</u>	<u>\$ 4,015,076</u>

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and
- Level 2—Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

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

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

September 30, 2017 and 2016

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:

2017				
	<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>

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	\$ 17,141,347	\$ 17,141,347	\$ –	\$ –
Mid Cap Equity	890,609	890,609	–	–
Small Cap Equity	433,067	433,067	–	–
International	1,769,445	1,769,445	–	–
World	1,304,090	1,304,090	–	–
Fixed Income:				
Mutual Funds:				
Corporate	21,734,699	21,734,699	–	–
Total Assets	<u>\$ 43,273,257</u>	<u>\$ 43,273,257</u>	<u>\$ –</u>	<u>\$ –</u>

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

September 30, 2017 and 2016

NOTE 4 – INVESTMENTS

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	<u>21,566,484</u>	<u>235,622</u>	<u>–</u>	<u>21,802,106</u>
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>

The value of investments at September 30, 2016 consists of the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
Held at Cost:				
Certificates of Deposit	\$ 1,251,313	\$ –	\$ –	\$ 1,251,313
Money Market Accounts	210,402	–	–	210,402
Held at Fair Value:				
Equity Security				
Mutual Funds	18,669,073	2,869,485	–	21,538,558
Fixed Income				
Mutual Funds	<u>21,176,154</u>	<u>558,546</u>	<u>–</u>	<u>21,734,700</u>
Total Investments	<u>\$ 41,306,942</u>	<u>\$ 3,428,031</u>	<u>\$ –</u>	<u>\$ 44,734,973</u>

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

Interest Income	\$ 885,500
Net Realized Gains	955,693
Investment Fees	<u>(29,102)</u>
Net Investment Income	1,812,091
Net Unrealized Gains	2,162,823
Net Unrealized Gains - Deferred	
Compensation Investment	<u>45,501</u>
Total Investment Returns	<u>\$ 4,020,415</u>

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

September 30, 2017 and 2016

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable contain the following:

	2017	2016
Total Pledges Receivable	\$ 374,310	\$ 386,400
Less: Allowance for Uncollectible Pledges	27,500	35,500
Less: Unamortized Discount	184	340
Net Pledges Receivable	346,626	350,560
Less: Pledges Receivable, Net-Current Portion	344,810	347,900
Long-Term Pledges Receivable, Net	\$ 1,816	\$ 2,660

Year Ending September 30,	Amount
2018	\$ 372,310
2019	1,000
2020	1,000
Total	\$ 374,310

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 \$226,000 and \$245,000 at September 30, 2017 and 2016. 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 2017 and 2016, the Association contributed \$1,258,541 and \$1,071,889, 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 \$9,254 in 2017 and \$9,746 in 2016. Amounts are recorded on the Association's records as an investment and a matching long-term liability in the amounts of \$500,133 in 2017 and \$423,616 in 2016.

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

	2017	2016
Accrued Benefit Obligation:		
Current Liability	\$ 68,040	\$ 54,393
Long-Term Liability	1,547,960	1,391,607
Total	\$ 1,616,000	\$ 1,446,000
Benefit Expense (Includes Benefits Paid of \$60,642 and \$51,676 for the Years Ending September 30, 2017 and 2016, Respectively)	\$ 230,642	\$ 123,676
Weighted-Average Assumptions:		
Discount Rate	6%	6%
Expected Return on Plan Assets	8%	8%
Benefit Obligation -		
Beginning of Year	\$ 1,446,000	\$ 1,374,000
Benefits Paid	(60,642)	(51,676)
Change in Fair Value	230,642	123,676
Benefit Obligation - End of Year	\$ 1,616,000	\$ 1,446,000

NOTE 7 – PROVISION FOR TAXES

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

	2017	2015
Deferred Tax Assets:		
Depreciation Differences	\$ (91,827)	\$ (64,285)
Difference in Revenue and Expense Recognition	411,426	336,651
Net Deferred Tax Asset	\$ 319,599	\$ 272,366

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

	2017	2016
Current Deferred Tax Asset	\$ 1,870	\$ 106,375
Long-Term Deferred Tax Asset	317,729	165,991
Net Deferred Tax Asset	\$ 319,599	\$ 272,366

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

September 30, 2017 and 2016

NOTE 7 – PROVISION FOR TAXES (Continued)

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

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

	2017	2016
Computed at Federal Statutory Rates	\$ (8,630)	\$ 29,103
Increase (Decrease) in Income Taxes Resulting from:		
State Income Taxes, Net of Federal Benefit	(2,778)	2,875
Nontaxable Income and Nondeductible Expenses	6,040	5,499
Net Operating Loss Carryback	(4,500)	-
Prior Year Under (Over) Accrual	(788)	3,009
Miscellaneous Other Adjustments	13,289	(11,794)
Total Provision for Income Taxes	<u>\$ 2,633</u>	<u>\$ 28,692</u>

The Association files income tax returns in the U.S. federal jurisdiction and various states. The Association is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended before September 30, 2014.

The Association's operations and activities occur, depending upon the specific year, in a variety of states. A provision of \$40,395 and \$33,620 has been established for sales and use taxes that may potentially be due to these taxing jurisdictions for the years ended September 30, 2017 and 2016, respectively. The total liability booked is \$366,221 and \$325,826 and is reflected as a component of accrued liabilities at September 30, 2017 and 2016, respectively. The Association is not, as of the date of these consolidated financial statements, under examination by any taxing authority.

NOTE 8 – NET ASSETS

Board designated net assets were available for the following purposes:

	2017	2016
Research for Breed Improvements	\$ 1,551,017	\$ 1,375,466
Marketing	918,920	816,354
Information Systems	3,088,434	2,739,057
Technology Innovations	1,293,447	1,147,829
Supplemental Health Benefits	1,866,914	1,657,750
Capital Replacement	2,219,888	1,970,513
Youth, Research, and Education Programs	2,172,828	1,897,475
Donor Relations and General Administration	2,779,217	2,420,211
Total Board Designations	<u>\$ 15,890,665</u>	<u>\$ 14,024,655</u>

Temporarily restricted net assets were available for the following purposes:

	2017	2016
Research	\$ 17,257	\$ 10,384
Youth Programs	906,453	841,579
Education	1,101,298	718,844
Future Operations and Donor Relations	500	500
Total Temporarily Restricted Net Assets	<u>\$ 2,025,508</u>	<u>\$ 1,571,307</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:

	2017	2016
Research	\$ 64,432	\$ 64,432
Youth Programs	2,040,664	1,890,628
Education	10,481,823	10,500,573
Total Permanently Restricted Net Assets	<u>\$ 12,586,919</u>	<u>\$ 12,455,633</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:

	2017	2016
Contributions	\$ 128,980	\$ 22,345
Net Investment Income	418,783	378,293
Net Unrealized Gain (Loss) on Investments	105,250	434,057
Satisfaction of Purpose Restrictions	(151,044)	(178,818)
Change of Donor Restrictions	(47,768)	(5,604)
Net Change in Temporarily Restricted Net Assets	<u>\$ 454,201</u>	<u>\$ 650,273</u>

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

	2017	2016
Contributions	\$ 124,861	\$ 830,630
Change of Donor Restrictions	6,425	10,149
Net Change in Permanently Restricted Net Assets	<u>\$ 131,286</u>	<u>\$ 840,779</u>

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

September 30, 2017 and 2016

NOTE 9—ENDOWMENTS

The Association's endowments consist of 60 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 U.S. generally accepted accounting principles, 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, 2017.

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 2017 and 2016). 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, 2017:

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

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

September 30, 2017 and 2016

NOTE 9—ENDOWMENTS (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	230,103	446,813	—	676,916
Contributions	105,608	8,005	174,871	288,484
Appropriation of Endowment Assets for Expenditure	(87,500)	(67,291)	—	(154,791)
Net Assets - End of Year	\$ 2,066,271	\$ 1,243,756	\$ 12,366,555	\$ 15,676,582

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ —	\$ 856,229	\$ 12,191,684	\$ 13,047,913
Board Designated Endowment Funds	1,818,060	—	—	1,818,060
Total Funds	\$ 1,818,060	\$ 856,229	\$ 12,191,684	\$ 14,865,973

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of Year	\$ 1,601,757	\$ 160,638	\$ 7,932,849	\$ 9,695,244
Investment Return:				
Investment Income	82,517	348,047	—	430,564
Net Appreciation:				
Board Designated	96,213	—	—	96,213
Donor Restricted	—	406,799	—	406,799
Total	178,730	754,846	—	933,576
Contributions	93,973	13,660	4,258,835	4,366,468
Appropriation of Endowment Assets for Expenditure	(56,400)	(72,915)	—	(129,315)
Net Assets - End of Year	\$ 1,818,060	\$ 856,229	\$ 12,191,684	\$ 14,865,973

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

September 30, 2017 and 2016

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 33% of the Association's total revenues, gains, and other support and 37% of the Association's receivables for the year ending September 30, 2017. Royalties from four customers represented 32% of the Association's total revenues, gains, and other support and 39% of the Association's receivables for the year ended September 30, 2016.

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:

	2017	2016
General and Administrative	\$ 4,254,437	\$ 3,851,104
Fundraising	506,222	304,989
Program Services	52,012,680	48,305,212
Total Expenses	<u>\$ 56,773,339</u>	<u>\$ 52,461,305</u>

NOTE 12—ADVERTISING

Advertising expense for the years ended September 30, 2017 and 2016 totaled \$5,042,562 and \$4,768,688, respectively.

NOTE 13—SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for income taxes was \$92,655 and \$5,397 in 2017 and 2016, respectively.

Cash paid for interest was \$56 and \$330 in 2017 and 2016, respectively.

NOTE 14—CAPITAL LEASE

The Association leases equipment under an agreement that is classified as a capital lease. The leased asset acquired during the year ended September 30, 2012 had a cost of \$48,635 and accumulated depreciation of \$48,635 and \$44,582 at September 30, 2017 and 2016, respectively. The total balance due on this lease was \$-0- and \$4,564 at September 30, 2017 and 2016, respectively, with quarterly payments of \$2,310. The interest on this lease is imputed at 3.25%. Interest paid on this lease was \$56 and \$330 at September 30, 2017 and 2016, respectively.

The lease was paid off in the current year so there are no minimum future lease payments.

NOTE 15—FLUCTUATION IN INVESTMENT VALUES

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

NOTE 16—CONTINGENCIES

The Foundation has approved various grants totaling approximately \$250,000 for specific research projects. The grants are contingent upon the researchers accepting final agreements and meeting other requirements established by the Foundation. Due to their conditional nature, the consolidated financial statements do not reflect a commitment for these grants.

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

Effective January 1, 2016, CAB elected to be self-insured for medical, dental, and vision claims, subject to certain stop-loss coverage premiums. CAB's annual claims exposure is limited to \$75,000 per employee and \$888,000 for the insured group. At September 30, 2017, there were no material claims filed subsequent to year-end that related to the respective fiscal year. An accrual of \$244,756 and \$347,264 at September 30, 2017 and 2016, respectively, is included in Accrued Liabilities on the consolidated statements of financial position at September 30, 2017. The expense was \$1,070,483 and \$735,000 for the years ended September 30, 2017 and 2016, respectively.

NOTE 17—CONCENTRATIONS OF RISK

The Association maintains cash in commercial banks located in the United States. The balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. There was approximately \$3,035,000 of collected balances in excess of FDIC limits at September 30, 2017.

Approximately 21% of the Association's contribution revenue during the year ended September 30, 2017 was from one donor. Approximately 74% of the Association's contribution revenue during the year ended September 30, 2016 was from three donors.

Approximately 90% of the Association's pledges receivable at September 30, 2017 was from two donors. Approximately 70% of the Association's pledges receivable at September 30, 2016 was from one donor.

NOTE 18—SUBSEQUENT EVENTS

Management evaluated subsequent events through October 17, 2017, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2017, but prior to October 17, 2017 that provided additional evidence about conditions that existed at September 30, 2017, have been recognized in the 2017 consolidated financial statements.

NOTE 19—RECLASSIFICATIONS

Certain reclassification of prior year's amounts have been made to conform to the presentation adopted for 2017. These reclassifications had no effect on previously reported earnings or net assets.



OUR MISSION

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

American Angus Association®

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