

2021 AHA ANNUAL REPORT

COME HOME TO HEREFORD

where grit builds greatness



COME HOME TO HEREFORD

where grit builds greatness

More seedstock and commercial producers are Coming Home to Hereford.

American Hereford Association (AHA) registrations increased 3.1% over the last fiscal year (Sept. 1, 2020, through Aug. 31, 2021). Cow inventories increased 6.8%, memberships rose 4.3% and transfers were up 3.8%.

Hereford sale averages corroborated expanding breed interest. With 204 sales reported, 6,654 registered Hereford bulls sold for an average of \$5,664. That was 8% more bulls selling year over year at prices that were 20% higher.

Part of this success stems from efforts of the AHA Commercial Programs Committee, which began in 2020. The Committee's mission is to develop programs to foster commercial demand for Hereford genetics, while increasing the value of those genetics for commercial users and AHA members.

The Hereford Feedout Program is one example. Producers learn more about the value of genetics and management beyond the ranch gate. Beginning its third year, in partnership with HRC Feedyards at Scott City, Kan., the program gives members and their customers an opportunity to feed large or small groups of cattle and collect and measure valuable feedlot and carcass data. If sires are known, then breeders can submit the carcass data to the breed's genetic evaluation. Participation continues to increase in terms of the number of people and cattle, as well as the number of states represented.

Participation in the commercially focused Hereford Advantage and Premium Red Baldy Programs is also growing, providing price premiums for participating producers.

Consumers demand beef quality

Domestic beef demand last year was the highest in more than three decades, according to CattleFax. Beef market share increased from 40% to 48% during the past two decades. International demand continues to grow, too.

Extraordinary demand growth has everything to do with cattle producers providing consumers with ever increasing carcass quality.

This is why in 2019 the board of Certified Hereford Beef LLC recommended — and the AHA Board of Directors approved — making Certified Hereford Beef® (CHB) carcass specifications USDA Choice and higher, while also maintaining the CHB Premium program with its Premium Choice (upper two-thirds Choice) specification. Hereford's dramatic improvement in marbling enabled the shift.

The AHA Board's commitment to and investment in *Certified Hereford Beef* continue to expand program awareness and growth. Even during the pandemic, when so many restaurants limited capacity or closed, CHB tonnage increased 5.5% (FY 2021) and the number of cattle certified for CHB grew 3.4%.

Propelling further progress

AHA Board and staff remain focused on breed improvement. The Association's National Reference Sire Program (NRSP) provides valuable data for the breed's genetic evaluation and increases the prediction reliability of younger sires.

AHA members are committed to breed improvement. Consider Whole Herd Total Performance Records (TPR™). More than 140,000 genotypes contribute to weekly genetic evaluation. Members add approximately 20,000 new genotypes to the evaluation each year. All of this builds Hereford genetic value for AHA members and commercial users.

This annual report highlights other examples of the innovation and tenacity AHA members embrace to make Hereford a logical choice for seedstock and commercial producers. These include fiscal sustainability, targeted multi-media-channel communications through Hereford Publications Inc. (HPI) and Creative Services, as well as building a legacy of leadership through the second-to-none National Junior Hereford Association.

"Come Home to Hereford, Where Grit Builds Greatness."

— Jack Ward, AHA executive vice president



Marketing **BUILDS GREATNESS**

The American Hereford Association (AHA) national ad campaign, “Come Home to Hereford,” resonated with breeders and commercial cattlemen alike. Hereford cattle have a rich history in operations across the country, and younger generations are coming home to the breed known for fertility, docility, feed efficiency and longevity.

The goal of the national ad campaign is to promote the advantages of Hereford genetics in the marketplace through research showing the economic advantages of the breed. In fiscal year 2021

advertisements developed by partners at the Grant Company, St. Joseph, Mo., expanded on the series and focused on the profitability of Hereford-sired calves. “Ka-Ching” advertisements received 2.67 million impressions through national and regional print publications, online platforms, social media and radio advertisements bringing cattlemen back to their roots in the Hereford breed.

Social media presence is vital in the efforts of the AHA to continue marketing the Hereford breed to both members and nonmembers. The AHA amplifies promotion of the Hereford breed to more diverse audiences by creating robust and strategic social media and paid advertisement schedules.

Communication to current association members includes two weekly eNewsletters — Hereford Headlines and Sales Digest, as well as current information published on *Hereford.org*.

The marketing team continues to find innovative avenues to share the positive impact of Hereford cattle in both a purebred and commercial setting. Through continued efforts, the AHA plans to market the Hereford breed for the traits that are calling cattlemen and women home to Hereford.



KA-CHING.
MORE POUNDS. MORE CALVES. MORE PROFIT.

Hereford bulls increase net profit by \$51 per cow per year. That's \$20,000 in additional revenue for a typical 400-cow outfit, thanks to increased fertility and herd size. Herefords are also the efficiency experts, proven to add value to calves in the feedyard — \$30 per head in profitability. That's real money and real results.

COME HOME TO HEREFORD.


Hereford.org | 816-842-3757



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7% Higher pregnancy rates	\$51 More Per Cow, Per Year	\$20 Advantage in Feed Efficiency	\$30 Advantage in Feedlot Profitability
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COME HOME TO HEREFORD.

Hereford.org resources

Find everything you need to help market your operation on *Hereford.org*:

- Production catalog listings
- Sales results
- Commercial Marketplace
- Promotional videos
- Beef marketing tools
- Downloadable PDFs:
 - ▶ Come Home to Hereford inserts
 - ▶ Hereford Advantage inserts
 - ▶ Premium Red Baldy inserts
 - ▶ Understanding EPDs and GE-EPDs inserts
 - ▶ Beef Industry Sustainability insert

HEREFORD IS *Home* OF PROVEN



The American Hereford Association (AHA) continues to strengthen the core foundation of its genetic evaluation to provide the most effective breed improvement tools for members and the commercial cattle industry.

Whole Herd Total Performance Records (TPR™) — celebrating 21 years — serves as the sturdy backbone to the breed's genetic evaluation. With Whole Herd TPR the AHA has collected unbiased phenotypes to develop and predict an accurate suite of expected progeny differences (EPDs). Additional accuracy comes from the growing number of genotypes — more than 140,000 and increasing — included in the genetic evaluation (Chart 1). The AHA has also invested in whole-genome sequencing

100 bulls, which strengthens the evaluation and accelerates the breed's genetic progress.

Genetic trend climbing

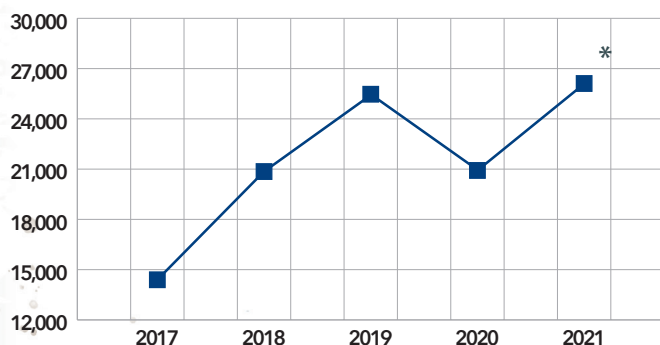
The AHA's National Reference Sire Program illustrates the breed's extraordinary genetic progress. More than 445 bulls have been tested through this program since it began 22 years ago, deepening the pool of birth-to-harvest phenotypes. Genetic progress is magnified through the focus of test herds. One test herd — Olsen Ranch, Harrisburg, Neb. — increased its average marbling score 26% over the last decade (Chart 2). Routinely, 70-75% of their market

cattle grade in the upper two-thirds of the USDA Choice quality grade.

More broadly, the genetic trend for the Certified Hereford Beef® Index increased 10% over the last six years. The Baldy Maternal Index increased 43%, and the Brahman Influence Index increased 55% during the same period (Chart 3). These indices provide commercial users effective multi-use tools for genetic progress.

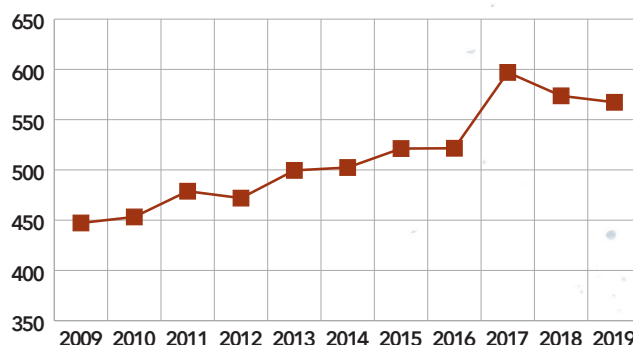
Clearly, Hereford genetics were in great demand in fiscal year (FY) 2021. Demand is evident by the domestic bull trade but is further validated by the demand for U.S. Hereford genetics from other countries. U.S. Hereford semen sales increased 9% in FY 2021.

Chart 1: Genotypes for Genetic Evaluation



*projected

Chart 2: Marbling Score Improvement¹

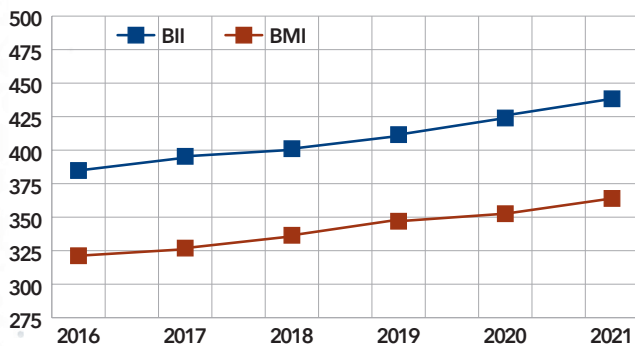


¹Data from Olsen Ranch, Harrisburg, Neb., a National Reference Sire Program test herd.

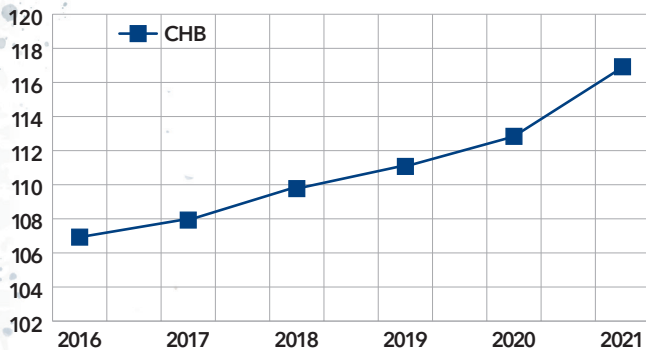
PERFORMANCE



Chart 3: BII and BMI Genetic Trend Progress²



CHB Genetic Trend Progress²



²Breed-average indexes by year

Top 10 Registrations

State	Breeders
Texas	Rausch Herefords, Hoven, S.D. 1,044
Nebraska	Upstream Ranch, Taylor, Neb. 1,044
Oklahoma	Hoffman Herefords, Thedford, Neb. 718
South Dakota	Shaw Cattle Co. Inc., Caldwell, Idaho 705
Kansas	Durbin Creek Ranch, Thermopolis, Wyo. 566
Missouri	Van Newkirk Herefords, Oshkosh, Neb. 563
Montana	Fawcetts Elm Creek Ranch, Ree Heights, S.D. 471
North Dakota	Alexander Mih, Chanute, Kan. 418
Illinois	Topp Herefords, Grace City, N.D. 405
Tennessee	W4 Ranch, Morgan, Texas 388

2020-21 Registrations, Transfers and Memberships

State	Registrations	Transfers	Cow Inventory	Members		Registration Rank
				Active	Juniors	
Alabama	973	678	1,167	74	32	27
Arizona	57	48	97	8	4	42
Arkansas	1,306	924	1,592	97	84	21
California	1,345	471	2,325	78	96	20
Colorado	1,356	560	1,812	77	37	19
Connecticut	82	34	170	16	9	40
Delaware	17	11	23	4	1	47
Florida	313	189	114	25	5	39
Georgia	1,828	1,296	3,008	78	39	14
Idaho	2,026	846	2,976	66	43	13
Illinois	2,464	1,691	4,326	196	258	9
Indiana	1,295	1,241	1,757	171	220	22
Iowa	2,131	1,275	3,326	187	257	11
Kansas	4,744	2,017	8,610	146	130	5
Kentucky	1,459	1,081	2,400	131	72	17
Louisiana	618	537	1,341	67	70	33
Maine	64	39	11	11	8	41
Maryland	599	491	696	63	103	34
Massachusetts	28	22	18	5	9	45
Michigan	592	513	787	86	57	35
Minnesota	1,478	850	2,649	120	91	16
Mississippi	1,273	1,086	1,662	80	82	23
Missouri	4,162	2,694	6,468	231	169	6
Montana	3,012	1,231	4,486	64	35	7
Nebraska	6,586	2,349	10,375	148	140	2
Nevada	388	227	759	14	3	37
New Hampshire	55	53	23	9	5	43
New Jersey	51	25	63	9	4	44
New Mexico	1,154	308	1,594	32	17	25
New York	459	182	844	59	40	36
North Carolina	731	442	1,324	72	38	31
North Dakota	2,621	970	3,567	59	23	8
Ohio	1,249	869	1,661	171	151	24
Oklahoma	5,202	3,909	8,907	209	331	3
Oregon	1,365	576	2,207	75	59	18
Pennsylvania	891	598	1,208	106	71	29
Rhode Island	0	0	0	0	1	48
South Carolina	381	208	983	32	12	38
South Dakota	4,860	1,406	7,835	112	106	4
Tennessee	2,357	1,800	3,822	177	105	10
Texas	9,599	6,800	12,108	554	648	1
Utah	909	597	1,445	43	3	28
Vermont	19	7	38	6	0	46
Virginia	766	650	820	73	72	30
Washington	1,064	371	1,393	74	48	26
West Virginia	668	468	1,097	73	35	32
Wisconsin	1,589	921	2,816	156	136	15
Wyoming	2,064	517	3,600	48	29	12
Total	78,250	44,078	120,310	4,392	3,988	

Grit BUILDS COMMERCIAL USE

Hereford breeders' grit and determination to continuously improve genetics built broader industry use by commercial herds across the nation, while demonstrating advantages to the feedlot and packing sectors. It is critical this same dedication continue as cattle and beef markets demand higher carcass quality and sustainable efficiency.

The American Hereford Association (AHA) develops tools and opportunities that help cattle producers prove the performance of their genetics beyond the ranch gate and ultimately gain additional value for themselves and their customers.

The Hereford Feedout Program offers purebred Hereford breeders and commercial producers with Hereford-influenced cattle a practical, cost-effective way to collect feedlot and carcass information on their genetics. If pedigrees are known, then individual carcass data from enrolled cattle can

also contribute to the breed's genetic evaluation, improving the accuracy of Hereford carcass expected progeny differences (EPDs). HRC Feed Yards in Scott City, Kan., manages and

feeds the cattle for the program. In its second year, producers from 11 states enrolled 162 head in the program — 46% more than the inaugural year. To learn more about this opportunity and to enroll in the 2022 program visit [Hereford.org/genetics/breed-improvement/feedout-program](https://www.hereford.org/genetics/breed-improvement/feedout-program).

Similarly, members of the National Junior Hereford Association (NJHA) participated in the NJHA Fed Steer Shootout, which completed its fifth year in 2021. It included 133 head — 14% more than the previous year — from 41 NJHA members in 15 states. The 2021 Shootout included a field day for the first time,

featuring a tour of HRC, industry speakers and a steer evaluation contest. The Fed Steer Shootout gives NJHA members the opportunity

to become involved in the cattle feeding industry and gain firsthand experience while learning about the genetic merit of their cattle. For more information about the program visit [Hereford.org/youth/njha-fed-steer-shootout](https://www.hereford.org/youth/njha-fed-steer-shootout).



Retrieving added commercial value

The AHA also continues to develop marketing programs aimed at helping commercial producers earn more with the value they add through Hereford genetics. The Hereford Advantage, Premium Red Baldy and Maternal Advantage programs continue to see increasing interest. These programs are effective tools for commercial producers to gain a marketing edge. Free feeder cattle and female listings in the commercial section of the association website provide another avenue to connect buyers and sellers.

The AHA commercial marketing efforts increase stocker, feedlot and packer awareness of Hereford's inherent advantages in feed efficiency and carcass merit. Demand continues strong for high-quality Hereford-influenced feeder cattle and for Hereford-influenced commercial females backed by verified genetics.

Closing out fiscal year 2021, the AHA developed a hay and pasture resource page on the Association website to help those in need of extra forage find those who have it. To learn more about these programs visit [Hereford.org/commercial](https://www.hereford.org/commercial).



Change BUILDS GREATNESS

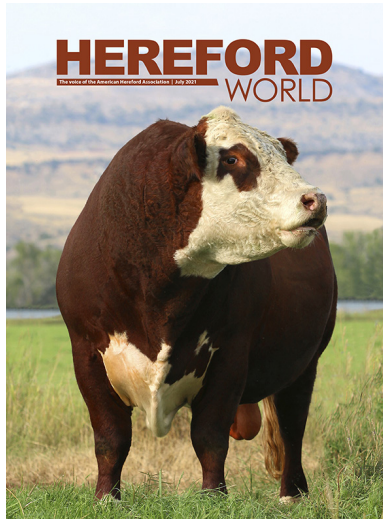
Hereford Publications Inc. (HPI) offers opportunities for motivated Hereford breeders and commercial cattlemen to promote their brands through Creative Services. *Hereford World*, the official publication of the American Hereford Association (AHA), publishes relevant, timely articles to help cattle producers make sound management and marketing decisions.

HPI continuously evolves to better serve purebred Hereford breeders and commercial cow-calf producers. Fiscal year (FY) 2021 brought changes to the editorial staff and structure. The AHA and HPI made a commitment to expand and enhance editorial for Hereford breeders as well as for current and potential commercial users of Hereford genetics. The new structure includes an executive editor, a managing editor and an assistant editor.

HPI launched a strategic plan in FY 2021 to better understand the *Hereford World* readership and

reader perceptions. The plan magnified the editorial focus on current and prospective commercial users of Hereford genetics in the tabloid issues. In FY 2022, readers of the *Hereford World* tabloid issues will see some revisions aimed at serving commercial producers more effectively.

Hereford breeders understand the value of print advertising in the *Hereford World*. Building on the research and development from FY 2020, HPI and Hereford breeders also realize the benefit of digital advertising options that complement print advertisement through targeted Facebook campaigns and website advertising services. This targeted digital approach paired with print advertising has already generated up to 100,000 impressions for early adopters. Contact the HPI staff to learn how you can boost your ranch's marketing power with a comprehensive advertising effort across multiple media platforms.



Follow HPI on Facebook!



GRIT: *Persevering* WITH PASSION



“Your brand is the single most important investment you can make in your business.”

— Steve Forbes

Certified Hereford Beef® (CHB) is resilient. It operates on authenticity, a commitment to excellence and a vision for sustainable growth. It represents the core values of the Hereford breed. Through strong relationships, the *Certified Hereford Beef* family continues to prosper.

Brand recognition

The Hereford breed’s commitment to quality through all stages of production allows our industry partners to supply their customers with a consistent, high-quality product — and a powerful story. Sharing our dedication serves as the basis for the brand’s marketing initiative to create global brand awareness.

Shoppers are more engaged with learning about the origins of their food, creating opportunities to bring awareness to *Certified Hereford Beef’s* quality and heritage. Transparent visuals representing the nation’s Hereford families help consumers connect with the farming and ranching community, building loyalty and demand for the CHB brand. In turn, our industry partners find value in the products and resources the brand provides.

Committed partners

Providing solutions to our partners is the forefront of our business model. We meet this challenge by investing in markets that support the brand and local Hereford families. Strategies guided by leadership from our Board of Directors have built a solid foundation for sustainable growth and committed partnerships.

A heavy emphasis on national brand awareness marketing campaigns continued last year to targeted audiences. These campaigns are designed to drive consumer demand in areas where CHB is distributed and to create name recognition in specific geographic areas.

Certified Hereford Beef increased focus on reliable service and support to grocery and restaurant segments. These brand representatives have access to a selection of updated sales and marketing tools on our efficient online partner portal, supporting their efforts to tell the Hereford story. Our packing partner is committed to protecting customer success through order fulfillment and brand loyalty, while increasing marketing and educational support in collaboration with the CHB marketing team. Distribution channels receive products and resources to support their clients, creating a mutually beneficial relationship with the brand. Expanding custom educational modules allows for direct sales support to effectively increase market share.

Most importantly, the CHB team strives to support more than 8,300 Hereford families behind the brand. The brand recognizes that its success stems from a source of high-quality beef. The supply of Hereford-influenced cattle meeting brand specifications is rewarded by additional premium opportunities for superior cattle. The CHB Premium program increased an additional 1.8 million pounds compared to last year. Apt attention to genetic improvement and utilizing American Hereford Association programs has allowed our breed to transcend quality standards.

Operational strength

Investing in a brand requires a mindful approach to ensure today's decisions create long-term value and sustainable growth. Three years ago, *Certified Hereford Beef* executed a well-researched strategy to compete with top-performing branded beef programs. Since elevating program specifications to USDA Choice and higher, the brand has been able to focus on product integrity to create more value for its partners.

Recent growth in market share is a testament to CHB's relevance and efficacy. Despite a global pandemic, industry shutdowns and labor and supply shortages, demand for the brand persists: In fiscal year (FY) 2021, an additional 1.5 million pounds of product was distributed in the marketplace, representing approximately an additional 21,000 head harvested.

“Grit: Having a passion to accomplish a particular goal, and the perseverance to follow through.”

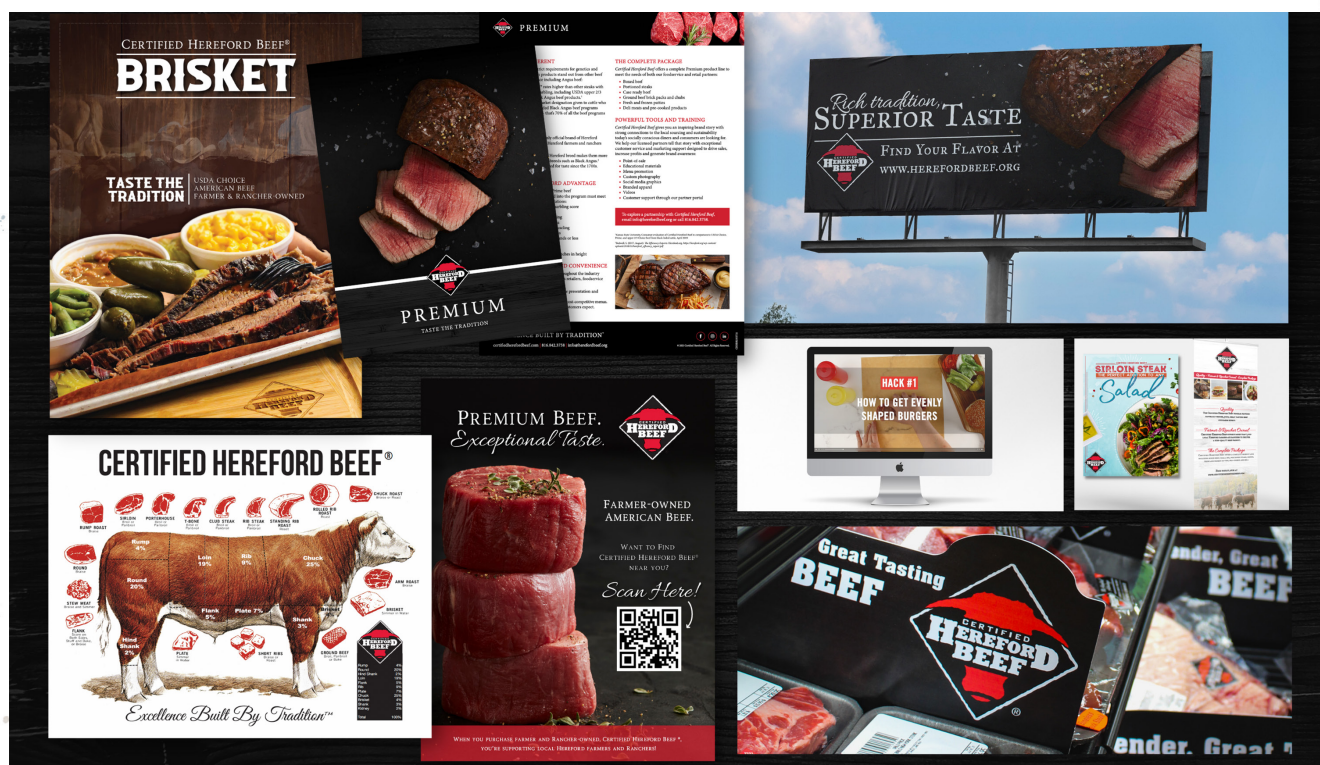
— Angela Duckworth

Envisioning value

Growth and innovation allow the brand to evolve in a dynamic marketplace. Just as we invest in our herds, we must invest in the brand and identify growth-oriented solutions. *Certified Hereford Beef* is successful

because of the combined integrity and commitment from our producers, leadership and partners.

Today, *Certified Hereford Beef* is positioned to take advantage of the tremendous demand for high-quality beef. The CHB marketing team extends gratitude to America's dedicated Hereford families and encourages everyone to demand the brand everywhere beef is purchased. This simple step creates a chain reaction to build brand awareness — and you can be part of creating that value.



EDUCATION AND LEADERSHIP

The National Junior Hereford Association (NJHA) welcomes students wanting more. The NJHA, along with the Hereford Youth Foundation of America (HYFA), provides opportunities for Hereford youth to share their passion for agriculture, develop leadership skills and build professional development. The future depends on today's generation, and in the fiscal year (FY) 2021, Hereford youth continued to take advantage of scholarship, leadership and educational opportunities.

The pandemic created logistical challenges, but Hereford youth and their families were excited to come back home to Kansas City, Mo., for the 2021 Hereford Spectacular VitaFerm® Junior National Hereford Expo (JNHE). This continues to be one of the industry's biggest stages, and the quality of cattle and kids did not disappoint. In total there were 1,385 entries, hailing from 40 states and Canada with more than 11,000 individuals tuning in to Walton Webcasting throughout the week to watch Hereford cattle parade the ring and competitive juniors receive awards.

Gleaning some lessons from an unusual past year taught many not to take life for granted. This year's



JNHE was a spectacular achievement in the quality of Hereford cattle and the people who make the NJHA and events, like JNHE, all that they are.

Shootout adds hands-on approach to education

HYFA continues to power the NJHA Fed Steer Shootout, and FY 2021 debuted the inaugural Fed Steer Shootout field day that hosted 65 NJHA members from 13 states accompanied by their families and industry leaders. Field day participants got a first-hand look at the progress of their 133 Hereford and commercial Hereford steers on feed at HRC Feed Yards in Scott City, Kan. Feedlot staff, along with speakers from VitaFerm®, Merck Animal Health, CattleFax and the University of Nebraska shared insights about yield and quality grade, marketing and the feedlot industry. A tour of the yards and a steer evaluation contest added to the hands-on experience of this growing program.

Eligibility for top honors in this comprehensive educational program requires completing a performance portfolio, quizzes and the Beef Quality Assurance course.

Faces of Leadership teaches life lessons

Eighty-one NJHA members from 22 states across the nation learned valuable insights about the importance of leadership during the 2021 Faces of Leadership Conference held July 28-31, in Oklahoma City. The



BUILD *Greatness*

theme of this year's conference was "Improve YOU" and offered participants inspirational life lessons.

The NJHA board of directors also added a Hereford Homeroom program this FY, which allowed them to take their leadership skills to state and regional shows encouraging leadership and personal development at the grass-roots level. Hereford Homeroom sessions were well received across the country and promoted the importance of attending the Faces of Leadership Conference where junior board members hosted additional leadership workshops expanding on the curriculum from the Hereford Homeroom fun that led up to Oklahoma City.

Scholarships award greatness

The scholarship fund is the cornerstone of HYFA, and countless youth are the beneficiaries of the mission. As HYFA turned the page on FY 2021, scholarships made headlines with an impressive \$200,000 given back to Hereford youth to assist with college educations. Each year the scholarship selection committees continue to be impressed by the high caliber of college-aged students who apply for scholarship funds, and there is significant reward



watching HYFA scholarship winners become leaders in their fields and give back to HYFA.

Foundation celebrates monumental growth

Through the years, HYFA has experienced monumental milestones, but none more exciting than net assets surpassing the \$5 million mark in FY 2021. As the foundation strives to pay it forward and create a legacy for future generations, HYFA's commitment to Hereford youth is only continuing to grow. From classroom settings, to feed yards and different events both in and out of the showring, HYFA and its army of supporters are steadfast in supporting Hereford youth and paving the way for the next \$5 million designated to give back to the next generation.



AMERICAN HEREFORD ASSOCIATION AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors American Hereford Association Kansas City, Missouri

We have audited the accompanying consolidated financial statements of American Hereford Association; Hereford Publications, Inc.; Certified Hereford Beef, LLC; American Beef Records Association; and Hereford Legacy Fund, LLC (collectively, the Association), which comprise the consolidated statements of financial position as of August 31, 2021 and 2020; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits 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 consolidated financial position of the Association as of August 31, 2021 and 2020, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

— K. Coe Isom, LLP
October 5, 2021
Lenexa, Kansas

Pursuant to its bylaws, AHA submits the above financial information for its members as of the close of the fiscal years ended August 31, 2021 and 2020.

— American Hereford Association, Jack Ward, executive vice president

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – August 31

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$1,094,258	\$972,067
Short-term investments	418,983	895,607
Accounts receivable – net	626,923	583,274
Prepaid expenses	7,392	13,172
Inventories	133,236	111,039
Due from Hereford Youth Foundation of America	27,786	—
Income tax receivable	6,371	6,371
Total Current Assets	2,314,949	2,581,530
Property and Equipment – Net	326,228	420,404
Other Assets		
Investments	16,518,569	12,947,409
Operating lease right-of-use assets	1,600,858	1,830,040
Deferred income tax	83,000	64,000
Other noncurrent assets	6,100	—
Total Other Assets	18,208,527	14,841,449
TOTAL ASSETS	\$20,849,704	\$17,843,383
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$297,392	\$154,575
Accrued expenses	269,578	291,749
Prepayments from breeders	92,936	104,141
Prepayments for subscription and advertising	161,267	151,699
Due to Hereford Youth Foundation of America	—	6,924
Due to Junior National Hereford Expo	1,990	2,780
Long-term debt – current portion	246,608	179,000
Operating lease liabilities – current portion	274,050	270,349
Total Current Liabilities	1,343,821	1,161,217
Noncurrent Liabilities		
Long-term debt – less current portion	288,992	356,600
Operating lease liabilities – less current portion	1,369,515	1,595,162
Total Noncurrent Liabilities	1,658,507	1,951,762
Total Liabilities	3,002,328	3,112,979
Net Assets		
Without donor restrictions	17,847,376	14,730,404
TOTAL LIABILITIES AND NET ASSETS	\$20,849,704	\$17,843,383

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

CONSOLIDATED STATEMENTS OF ACTIVITIES – Years Ended August 31

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2021	2020
Revenue and Support		
Services	\$4,200,589	\$3,684,487
Advertising and subscriptions	1,932,403	1,816,914
Program revenues	435,634	415,443
Other revenue	928,012	736,029
Total Revenue and Support	7,496,638	6,652,873
Expenses		
Program expenses	5,281,370	4,872,022
General and administrative expenses	2,152,074	1,983,169
Total Expenses	7,433,444	6,855,191
Other Income (Expense)		
Gain (Loss) on sale of investments	301,505	(37,591)
Gain (Loss) on sale of property and equipment	5,211	—
Net appreciation (depreciation) in fair value of investments	2,581,052	1,277,158
Other income (expense)	147,535	193,736
Total Other Income (Expense)	3,035,303	1,433,303
Change in Net Assets Without Donor Restrictions Before Tax	3,098,497	1,230,985
Income tax benefit (expense)	18,475	63,475
Net Change in Net Assets	3,116,972	1,294,460
Net Assets – Beginning of Year	14,730,404	13,435,944
Net Assets – End of Year	\$17,847,376	\$14,730,404

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – Years Ended August 31

	2021			2020		
	Program Expenses	General and Administrative	Total	Program Expenses	General and Administrative	Total
Salaries and wages	\$1,389,344	\$1,127,174	\$2,516,518	\$1,372,887	\$1,067,896	\$2,440,783
Employee benefits	277,187	198,824	476,011	257,997	190,916	448,913
Accounting and professional fees	12,130	125,366	137,496	34,256	124,818	159,074
Supplies	9,517	22,090	31,607	8,141	29,216	37,357
Telephone and utilities	579	32,463	33,042	757	25,665	26,422
Postage and shipping	66,868	59,871	126,739	64,150	62,390	126,540
Equipment rental	3,681	14,500	18,181	2,588	15,920	18,508
Printing	225,289	20,941	246,230	237,636	21,533	259,169
Travel	214,523	104,008	318,531	246,282	86,148	332,430
Office rent	242,015	26,891	268,906	244,441	27,160	271,601
Meeting and conferences	71,097	16,159	87,256	83,884	24,299	108,183
Dues and subscriptions	21,817	27,015	48,832	18,179	19,405	37,584
Insurance	17,548	31,756	49,304	16,475	29,403	45,878
Publicity and promotional materials	156,118	—	156,118	142,929	—	142,929
Credit card fees	—	137,473	137,473	—	133,687	133,687
Maintenance and repairs	67,972	71,948	139,920	38,898	70,783	109,681
DNA	993,094	—	993,094	731,000	—	731,000
Advertising	242,366	—	242,366	240,134	—	240,134
Premiums	15,681	—	15,681	44,148	—	44,148
Genetic evaluation	82,822	—	82,822	97,950	—	97,950
Research and development	56,107	—	56,107	22,952	—	22,952
Miscellaneous	15,017	135,595	150,612	19,207	44,632	63,839
NJHA expenses	126,117	—	126,117	43,749	—	43,749
Creative services	529,263	—	529,263	441,639	—	441,639
Consumer marketing	221,733	—	221,733	214,020	—	214,020
Export	4,804	—	4,804	4,771	—	4,771
Depreciation expenses	208,315	—	208,315	239,000	—	239,000
Taxes	10,366	—	10,366	3,952	9,298	13,250
Total Functional Expenses	\$5,281,370	\$2,152,074	\$7,433,444	\$4,872,022	\$1,983,169	\$6,855,191

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

CONSOLIDATED STATEMENTS OF CASH FLOWS – Years Ended August 31

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and subscribers	\$7,349,785	\$6,529,504
Cash paid to vendors and employees	(7,225,030)	(6,584,685)
Interest and dividends received	318,868	292,407
Income taxes paid	(525)	(1,363)
NET CASH PROVIDED BY OPERATING ACTIVITIES	443,098	235,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,189,846)	(3,586,552)
Purchases of property and equipment	(114,428)	(15,168)
Proceeds from sale of investments	2,977,867	3,666,468
Proceeds from sales of property and equipment	5,500	—
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(320,907)	64,748
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	—	535,600
Check written in excess of deposits	—	(21,415)
NET CASH PROVIDED BY FINANCING ACTIVITIES	—	514,185
Net Increase (Decrease) in Cash and Cash Equivalents	122,191	814,796
Cash and Cash Equivalents – Beginning of Year	972,067	157,271
Cash and Cash Equivalents – End of Year	\$1,094,258	\$972,067

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

Notes to Consolidated Financial Statements

1 — NATURE OF ORGANIZATION AND OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation The accompanying consolidated financial statements include the accounts of AHA and its wholly-owned subsidiaries: HPI, CHB, ABRA, and HLF. All significant intercompany transactions have been eliminated in the consolidation. Collectively, the consolidation of AHA, HPI, CHB, ABRA, and HLF are hereafter referred to as the Association.

Nature of Organization and Operations The American Hereford Association (AHA) is a not-for-profit association that conducts research and experiments in the breeding of Hereford cattle; compiles and preserves pedigree records for owners and breeders;

participates in and promotes the arrangement of fairs, exhibitions, and cattle shows to encourage the breeding of Hereford cattle; and assists with the promotion of the end product produced from Hereford cattle on behalf of Certified Hereford Beef, LLC.

Members and subscribers of AHA are primarily owners and breeders of Hereford cattle. The members and subscribers are located world-wide; however, the largest concentration is within the United States.

Hereford Publications, Inc. (HPI), is a for-profit corporation that provides publication services to Hereford cattle ranches and publishes a magazine periodically.

Certified Hereford Beef, LLC (CHB), is a not-for-profit association whose sole member is AHA. CHB strives to increase demand for Hereford cattle by promoting Hereford beef as a premium beef product under the Certified Hereford Beef® trademark. CHB was formed as a limited liability company on September 27, 2000. Prior to that date, CHB's activities were performed and accounted for within the Association.

American Beef Records Association (ABRA) is a not-for-profit association that is wholly owned by the AHA. ABRA provides computer consultation in herd planning and management, breeding services, and marketing for commercial livestock of various breeds.

Hereford Legacy Fund, LLC (HLF), is a not-for-profit association whose sole member is the AHA. HLF holds the proceeds from the sale of AHA's building in 2018 and makes distributions to parent for a portion of its investment income to pay for the rent of the consolidated Association. HLF was formed as a limited liability company on April 12, 2018.

A majority of the Association's business activities are with customers in the cattle industry. Therefore, a substantial portion of its debtors' ability to honor their commitments is dependent upon the cattle economic sector.

Consolidated Financial Statement Presentation The Association classifies its information regarding net assets and revenues, expenses, gains, and losses based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets in this category are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets in this category are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Association has no net assets with donor restrictions.

Measure of Operations The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing animal services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Basis of Accounting The accrual method of accounting is used, which recognizes income in the period earned and expenses in the period incurred.

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, the Association considers all money market investments and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Investments amounting to \$621,183 and \$564,597 were considered to be cash equivalents at August 31, 2021 and 2020, respectively.

The Association maintains cash on deposit in various financial institutions. Due to the nature of the Association's cash flow, amounts on deposit in individual banks may temporarily exceed the applicable coverage of the Federal Deposit Insurance Corporation throughout the year.

Accounts Receivable Accounts receivable are presented at face value, net of the allowance for doubtful accounts, and consist of amounts billed, but not received by year-end for magazine advertising, subscriptions, and member services. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts, based on historical experience. The Association's receivables are considered past due based upon contractual terms and are automatically charged off after three years. HPI's policy states that accounts with outstanding balances beyond 60 days will accrue interest at 1.5% per month; balances beyond 90 days will no longer be provided with services; and balances beyond 120 days may be turned over to a collection agency.

Inventories Inventories are stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out method.

Investments The Association's investment portfolio is subject to the investment policy set forth by the Board of Directors. Investments are comprised of debt and equity securities and are carried at fair value. The fair value of investments is based on quoted fair prices for those investments or similar investments as of August 31, 2021 and 2020. Gains or losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end market values and are reported in the consolidated statements of activities as increases or decreases in net assets.

Fair Value Measurement The accounting standards define a fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

The Association determines the fair value of investments using three broad levels of input as defined by related accounting standards.

- Level 1: Observable inputs – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2: Observable inputs – other than quoted prices included in level 1 that are observable for the asset or liability through corroboration with market data; and
- Level 3: Unobservable inputs – include amounts derived from valuation models where one or more significant inputs are unobservable.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended August 31, 2021 and 2020.

Equity Securities: Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income Securities: Corporate, government, agency, and municipal bonds and fixed income securities are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value.

Exchange Traded Funds: These assets are valued at the net asset value reported on the active market on which the securities are traded. The valuation occurs throughout the day based on the market value of the underlying securities, as well as the market supply and demand for the particular exchange traded fund.

Mutual Funds: Each investor in the mutual fund will typically receive units of participation in the mutual fund. These units are valued daily, based on the underlying securities owned by the mutual fund, which are usually publicly traded debt or equity securities.

Revenue Recognition Revenues from member dues, subscriptions and advertising, and hosting database services are recognized over the term of the contract. The contracts are generally for a term of one to three years. Subscription and advertising revenue is deferred and included in prepayments for subscription and advertising in the consolidated statements of financial position. Revenue is deferred at the time of sale to the customer and is recognized monthly, as outlined in the contract. At the end of the subscription period, the remaining balance is recognized as revenue reported as advertising and subscription revenue in the consolidated statements of activities. The balances of the prepayments for subscription and advertising revenues were \$161,267 and \$151,699 for the years ended August 31, 2021 and 2020, respectively.

Publication and advertising, genetic services, creative services, retail and marketing services are recognized when the service is provided.

A five-step model is used to determine the amount and timing of revenue recognized. The Association's additional disclosures are included in note 11.

Property and Equipment Property and equipment are stated at cost and depreciated using the straightline method over the estimated useful life of each asset. The estimated useful lives of assets range from 3 to 30 years for consolidated financial statement purposes. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of activities for the period. The Association capitalizes all assets, major replacements, and betterments with a useful life greater than one year and cost in excess of \$1,000. Maintenance and repairs are charged to expenses as incurred.

Long-lived assets to be held and used in the course of business are tested for recoverability whenever events or changes in the circumstances indicate that the related carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be disposed of by sales are reported at the lower of carrying amount or fair value, less cost to sell.

Leases Leases In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases. This ASU intends to

increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Previous to this ASU, entities were allowed to exclude from the balance sheet leases classified as operating leases. This ASU requires lessees to recognize the assets and liabilities arising from leases on the balance sheet. In July 2018, FASB issued ASU 2018-11, Leases: Targeted Improvements, which amended ASU 2016-02 to provide an entity with a transition method for implementing the standard. Under this transition method, an entity initially applies the new leases standard at the adoption date, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Association elected to early adopt ASU 2016-02, Leases (Topic 842), effective September 1, 2017.

Compensated Absences Employees are entitled to one week of paid time off each year. Unused paid time off cannot be carried over from one year to the next and is not paid out upon termination. Accordingly, no liability for accrued paid time off has been recorded. The Association's policy is to recognize the costs of compensated absences when actually used by employees.

Functional Expenses The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. The presentation of expenses by function and nature is included in the consolidated statements of functional expenses. The Association charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs can be specifically identified as being incurred for the activities of that program or supporting service. Other costs that are incurred by the Association that benefit more than one program or supporting service are allocated on a reasonable basis that is consistently applied. Payroll and related costs are allocated based on estimates of time and effort; other costs including depreciation, certain occupancy and office costs, and consulting are allocated based on estimates of usage or benefit received by each function. The Association reevaluates its allocation method each year to determine if there are adjustments that are necessary to the allocation method based on actual activities conducted during the year.

Advertising Costs Advertising costs are charged to expense when incurred. The amounts expended during the years ended August 31, 2021 and 2020, were \$242,366 and \$240,134, respectively.

Income Taxes AHA, ABRA, CHB, and HLF are exempt from federal income tax under section 501(c)(5) of the Internal Revenue Code; therefore, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements. AHA, ABRA, CHB, and HLF are, however, subject to income taxes on any net income from unrelated business activities. AHA, ABRA, CHB, and HLF have been classified by the Internal Revenue Service as organizations that are not private foundations under Section 509(a)(2).

HPI is a taxable entity and is, therefore, subject to federal and state income taxes. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards; deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. HPI includes interest and penalties related to income tax liabilities, if any, in income tax expense. Income tax credits are accounted for by the flowthrough method, which recognizes the credits as reductions of income tax expense in the year utilized.

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

Implementation of New Accounting Standard The Association has adopted the provisions of FASB ASU 2019-03, Not-for-Profit Entities: Updating the Definition of Collections. This ASU was intended to address the use of proceeds from sales of collections and related disclosures.

Evaluation of Subsequent Events The Association has evaluated subsequent events through DATE, the date the consolidated financial statements were available to be issued.

2 — AVAILABILITY AND LIQUIDITY

The Association is substantially supported by the services it provides its members. Revenue from services provided can be affected by the number of registered cattle and current economic conditions. The following represents the Association's financial assets:

	2021	2020
August 31		
Financial Assets – End of Year		
Cash and cash equivalents	\$1,094,258	\$972,067
Accounts receivable - net	626,923	583,274
Investments	16,937,552	13,843,016
Financial Assets Available to Meet Cash Needs For General Expenditures		
Within One Year	\$18,658,733	\$15,398,357

The Association has \$18,658,733 available for general expenditures. This would cover all of next year's budgeted expenses, even without the income it has budgeted.

3 — ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	2021	2020
August 31		
Trade receivables	\$518,083	\$509,967
Allowance for doubtful accounts	(11,220)	(11,423)
Subtotals	506,863	498,544
Other receivables	120,060	84,730
Total Accounts Receivable	\$626,923	\$583,274

4 — FAIR VALUE MEASUREMENTS

The following tables, set forth by level, within the fair value hierarchy, lists the Association's assets at fair value:

August 31, 2021	Level 1	Level 2	Level 3	Total
Mutual funds	\$605,462	—	—	\$605,462
Exchange traded funds	714,999	—	—	714,999
Equity securities	11,756,167	—	—	11,756,167
Government agency bonds	—	\$1,200,518	—	1,200,518
Corporate bonds	1,800,877	—	—	1,800,877
Fixed income securities	859,529	—	—	859,529
Total	\$15,737,034	\$1,200,518		\$16,937,552

August 31, 2020	Level 1	Level 2	Level 3	Total
Mutual funds	\$196,264	—	—	\$196,264
Exchange traded funds	175,763	—	—	175,763
Equity securities	9,597,326	—	—	9,597,326
Government agency bonds	—	\$1,248,193	—	1,248,193
Corporate bonds	1,763,120	—	—	1,763,120
Fixed income securities	862,350	—	—	862,350
Total	\$12,594,823	\$1,248,193		\$13,843,016

5 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

August 31	2021	2020
Leasehold Improvements	\$91,773	\$91,773
Furniture and fixtures	337,203	337,203
Vehicles	246,825	241,060
Data processing equipment	235,042	256,038
Software	431,422	444,770
Subtotals	1,342,265	1,370,844
Accumulated depreciation	(1,016,037)	(950,440)
Total Property and Equipment – Net	\$326,228	\$420,404

6 — LEASES

The Association leases a copier from an unrelated third party under an operating lease. The lease requires monthly lease payments of \$431, with a termination or renewal date of January 2024.

The Association leases a postage machine from an unrelated third party under an operating lease. The lease requires monthly lease payments of \$540, with a termination or renewal date of May 2023.

The Association leases an office building from an unrelated third party under an operating lease. The lease requires monthly lease payments that increase each March, according to a set payment schedule based on a price per square footage rented. The monthly lease payment through August 31, 2021 and 2020, were \$21,712 and \$21,404, respectively, with a termination or renewal date of March 2028.

Amounts recorded as lease expenses were \$287,087 and \$290,109, respectively, for the years ended August 31, 2021 and 2020. Amounts paid through cash were \$244,379 and \$254,638, respectively, for the years ended August 31, 2021 and 2020.

The future minimum lease cash payments under operating leases are as follows:

Years Ending August 31	
2022	\$274,050
2023	276,132
2024	271,958
2025	273,501
2025	277,202
Thereafter	422,280
Total	\$1,795,123

7 — LONG-TERM DEBT

On April 21, 2020, the Association qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), for an aggregate principal amount of \$535,600. The PPP loan bears interest at a fixed rate of 1% per annum, has the first 10 months of interest deferred, and has a term of five years.

The principal amount of the PPP loan and accrued interest are subject to forgiveness upon the Association's request, to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Association. The Association applied for forgiveness of the PPP loan on November 30, 2020, with respect to these covered expenses. To the extent that all or part of the PPP loan is not forgiven, the Association will be required to pay interest on the PPP loan at a rate of 1.0% per annum, and commencing on the date that the SBA remits the Association's loan forgiveness amount to the lender, principal and interest payments will be required through the maturity date in April 2025. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of an event of default.

The aggregate maturities of the above long-term debt for the years subsequent to August 31, 2021, are as follows:

Years Ending August 31	
2022	\$246,608
2023	107,465
2024	108,542
2025	72,985
Total	\$535,600

8 — INCOME TAXES

The provisions for income taxes consist of the following components:

Years Ended August 31	2021	2020
Current Income Tax Expense Benefit (Expense)		
Federal	\$ —	\$ —
State	(525)	(525)
City	—	—
Total Current Income Tax Benefit (Expense)	(525)	(525)
Deferred Income Tax Benefit (Expense)		
Relating to:		
Net operating loss	11,000	64,000
Change in valuation allowance	—	—
Depreciation	8,000	—
Allowance for bad debt	—	—
Total Deferred Income Tax Benefit (Expense)	19,000	64,000
Total Provision for Income Tax Benefit (Expense)	\$18,475	\$63,475

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of HPI's assets and liabilities.

The tax provision differs from the expense that would result from applying statutory rates to income before income taxes because of the valuation allowance applied against the deferred income tax assets.

The components of the deferred tax assets were as follows:

August 31	2021	2020
Deferred Tax Assets		
Net operating loss	\$75,000	\$64,000
Depreciation	5,000	—
Allowance for bad debt	3,000	3,000
Total Deferred Tax Assets	83,000	67,000
Deferred Tax Liability		
Depreciation	—	(3,000)
Total Deferred Tax Assets	—	(3,000)
Net Deferred Tax Asset (Liability)	\$83,000	\$64,000

9 — COLLECTION OF ARTWORK

The Association has a collection of artwork, appraised at approximately \$639,200 at August 31, 2021 and 2020, that is on public display at the Association's headquarters. The most recent appraisal is as of April 2015 for new pieces added in 2015, and as of August 2011 for the rest of the collection. The Association has adopted a policy of not capitalizing the collection of artwork in its consolidated financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items are charged to expenses in the period when purchased. Proceeds from the sale of collection items are used to purchase new collection items. The Association plans to hold the collection items indefinitely.

There were no pieces added to the collection during the years ended August 31, 2021 and 2020. There were no pieces disposed of during the years ended August 31, 2021 and 2020.

The Association insures the collections with a policy that has a face value consistent with the appraised values.

10 — RETIREMENT PLAN

The Association provides eligible employees with a 401(k) qualified retirement plan. The Association also established a profit sharing plan for all eligible employees. The plan provides for employer and employee contributions based upon a percentage of annual compensation. Employer contributions for the years ended August 31, 2021 and 2020, were \$100,211 and \$93,969, respectively.

11 — REVENUE RECOGNITION

The Association's major revenues are all within the United States of America and recognized as follows:

Membership Services Membership services includes registrations, dues, and service fees that fund research, advertising, and software development, as well as discounts for subscriptions and genetic services for the current fiscal year. Revenues are recognized over the term of the contract.

Subscriptions and Advertising Subscriptions and Advertising includes revenues earned from catalog and magazine subscriptions and advertising, generally for a term of 12 months. Revenues are recognized over the term of the contract.

Publication and Advertising Services Publication and Advertising includes fees from advertising in *Hereford World*, as well as annual publications and banner ads on the website. Revenues are recognized as the services are performed at a point in time.

Genetic Services Genetic Services includes revenues from improving the Hereford breed, DNA testing, blood typing, and genomic services. Revenues are recognized as the services are performed at a point in time.

Hosting Database Services Hosting Database Services includes fees from hosting database services on the Association's servers generally for a term of one to three years. Revenues are recognized over the term of the contract.

Creative Services Creative Services includes revenues from promotional media services. Revenues are recognized as the services are performed at a point in time.

Marketing Services Marketing Services includes revenues from certifications and retail sales. Revenues are recognized as the services are performed at a point in time.

12 — CONTINGENCIES

COVID-19

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Association's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Association operates and the related impact on consumer confidence and spending, all of which are highly uncertain.



President
Mark St. Pierre



Vice President
Bruce Everhart



Joe Waggoner



Nate Frederickson



Andrew Matheny



Craig Beran



Whitey Hunt



Becky
King-Spindle



Bill Goehring



Wyatt Agar



Jerome Ollerich



Bob Schaffer

American Hereford Association

AHA Mission

Grow demand for Hereford genetics by delivering the highest quality and most efficient services to members and other progressive cattlemen in the areas of breed registry, genetic improvement and education.

AHA Vision

AHA will provide the leadership to record, protect, promote and facilitate the production and consumption of Hereford beef.

Core Strategies

- I. Drive the development and use of genetic tools and technologies.
- II. Expand the educational opportunities for AHA members/beef industry.
- III. Improve the demand and value of Hereford genetics.
- IV. Develop and capitalize on "Team Hereford."
- V. Expand opportunities and engagement of junior members.
- VI. Strengthen the growth and adoption of CHB.



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