

2013 American Hereford Association Annual Report



Hereford Demand Continues to Increase

During fiscal year 2013, increasing demand continued to be the theme in the Hereford business. Despite drought and escalating costs in the beef industry, Hereford breed demand continues to grow, as production sale averages increased \$500 during fiscal year 2013 and reports of private-treaty sales continue to out-pace the previous year's reports.

A total of 171 Hereford production sales were reported by American Hereford Association (AHA) field representatives this fiscal year, which ended Aug. 31. Bull sales averaged \$4,763, up nearly \$92, and females, \$4,202, up almost \$873 per head.

"Hereford demand continues to climb as referenced by record sale prices for bulls and females during fiscal year 2013," says Craig Huffhines, AHA executive vice president. "AHA experienced a near 5% increase in membership, further evidence of the popularity in the Hereford breed."

Hereford semen demand in the commercial industry is also increasing. According to the National Association of Animal Breeders (NAAB), domestic Hereford semen sales increased 2% compared to last year, and export sales increased 31%. Since 2006 Hereford domestic semen sales have increased 90%, a testament to the increasing demand for Hereford genetics in the commercial industry.



Hereford enthusiasm filled the Stadium Arena on the Hill Friday, Jan. 18 during the Mile High Night Sale in Denver. The sale was one for the record books with an interest in two bulls both selling for more than \$100,000 and 28.42 lots averaging \$19,805.

FY '13 stats

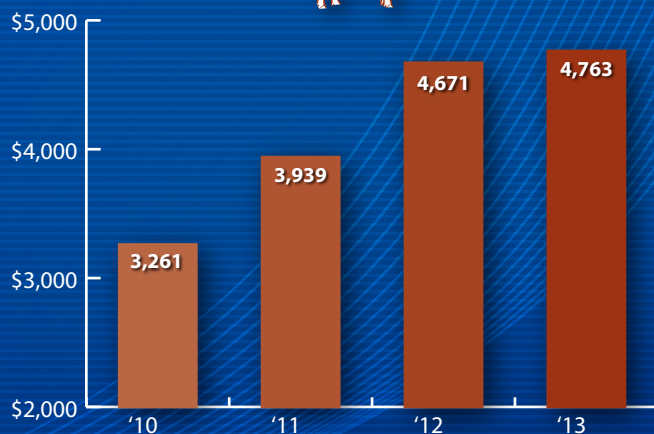
- 67,930 registrations
- 35,957 transfers
- 100,494 cows on inventory
- 3,507 active adult members
- 2,490 active junior members
- The National Junior Hereford Association hosted the largest national youth breed event with 1,213 entries exhibited by 650 youth from across the U.S.
- *Hereford World* advertising was up 10% with 17 ride-along catalogs and Creative Services produced an additional 53 catalogs and four state directories.



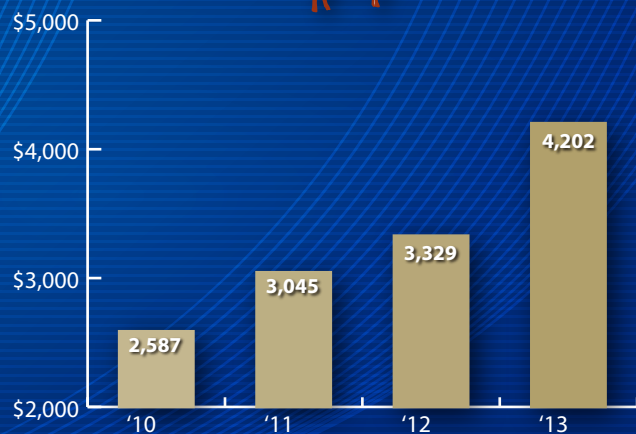
Sale averages



Bulls



Cows



Progress in Performance

The increasing demand for Hereford genetics is related to the success of and the commitment by Hereford breeders to AHA's Whole Herd Total Performance Records (TPR™) program. Now 12 years old, the program has helped the AHA and Hereford breeders build a database that documents the breed's strengths. More and more Hereford breeders continue to go above status quo and submit ultrasound data, body condition scores, udder scores and cow weights, which all add to the integrity and accuracy of the AHA database.

Performance and breed improvement highlights for FY '13

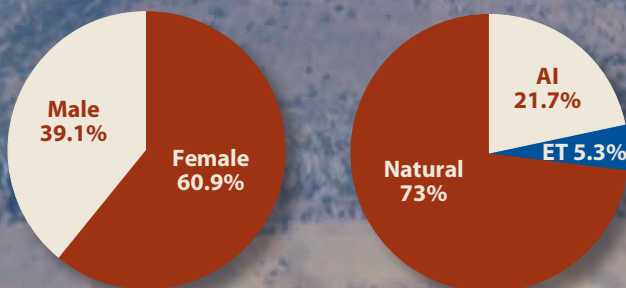
- The new udder quality expected progeny difference (EPD) was released.
- Updated genomic-enhanced EPD (GE-EPD) correlations were released in April that more than doubled the predictive power for some traits.
- With the fall 2013 EPDs, genomic information is now blended up and down the pedigree.
- AHA continued collecting feed efficiency data and participating in the U.S. Department of Agriculture (USDA)-funded study.
- AHA continued its multi-year project with Simplot Livestock Co. — documenting the benefits of using Hereford sires in a large-scale, predominately Angus heifer program.

“The AHA’s genomic approach utilizes new genotype platforms and computing techniques to boost the predictive accuracy of breeding value for younger animals. AHA’s mission has always been to document the pedigree and performance information of Hereford seedstock in order to create economic improvement for the commercial beef industry. This approach is very important to both the AHA and the commercial cattle industry in that it allows the AHA to continually improve the predictive value of EPDs so that both seedstock producers and commercial cattlemen can make more reliable breeding decisions with less risk.”

— Craig Huffhines, AHA executive vice president

Registrations FY '13

based on 67,930 registrations





CHB LLC Reports Record Volume in 2013

Certified Hereford Beef (CHB) LLC experienced another year of growth during fiscal year 2013 despite the challenging U.S. economy. The company posted a record year in volume with 48.8 million lb. sold — a 4% increase compared to the previous year.

Despite tight cattle supplies, record high beef prices and somewhat stagnant beef promotion, due to the wide price spreads between beef and competing proteins, CHB LLC is expanding its program. Both harvested cattle numbers and carcasses certified that meet the specification were up by 5% during fiscal year 2013.

Much of the growth came from expansion of new retail store openings for existing customers along with a rejuvenated case-ready ground beef program.

CHB LLC's largest customer — The Fresh Market (TFM) based in North Carolina — has added eight new locations since the first of the year, bringing total TFM store numbers to 137 in 26 states. During fiscal year 2013, total CHB® volume for TFM increased 12.6%, generating more than 8 million lb. of beef sold.

Longtime CHB LLC customer Coborn's Inc., based in Minneapolis/St. Paul, added four new locations, which increased CHB tonnage by 21% for the company. In west Texas, independently owned Vista Markets, Market Square and San Eli Markets contributed to 17% additional growth for Affiliated Foods, based in Amarillo.

Cattle numbers required to supply the CHB program continue to create demand for Hereford and Hereford-English baldie cattle. More than 382,000 cattle were identified through CHB-licensed packing facilities during FY 2013 as eligible from a live specification standpoint, while more than 259,000 carcasses were certified for the program — a certification rate of 68% for FY 2013.

Since the program's inception, 4.3 million cattle have been identified through licensed packing plants as meeting the live animal specifications, and 2.6 million carcasses have been certified to carry the CHB name.

FY '13 CHB LLC Facts

- 48.8 million lb. sold
- 382,000 cattle identified
- 259,000 carcasses certified
- 68% certification rate
- 301 retail supermarkets in 35 states
- 38 foodservice distribution centers
- Welcomed two new staff members: Andrew Brooks, vice president of marketing, and Trey Befort, director of supply development



“We are thrilled with the growth of the CHB program and the continued credibility that the Hereford breed is gaining, not only in the consumer food sector, but also in the demand created for Hereford genetics within the commercial cattle industry. The Hereford breed is a well-established iconic breed within the U.S. cattle industry that is bringing a rejuvenated value to the industry at a time when the industry needs it the most.”

— Craig Huffhines,
AHA executive vice president

Empowering the Next Generation

Through the National Junior Hereford Association (NJHA), with the support of the Hereford Youth Foundation of America (HYFA), Hereford youth are developing into the next generation of Hereford breeders.



The 2013 Junior National Hereford Expo was an action-packed week of contests and activities hosted in Kansas City, Mo., July 14-21. More than 650 NJHA members from 40 states participated in this year's event, which included 1,213 entries and also provided opportunities for youth to participate in 23 contests outside the showing.

Hereford youth also had the opportunity to attend the 2013 Program for Reaching Individuals Determined to Excel (PRIDE) Convention, hosted in South Dakota.

These events, along with the distribution of more than \$60,000 in scholarships to Hereford youth, would not be possible without HYFA.



With the sale of the Foundation Female and three embryo packages, \$61,000 was raised to benefit HYFA Friday, Jan. 18, in a packed stadium during the record-breaking Mile High Night Hereford Sale in Denver during the National Western Stock Show. Starting the sale was the Lot 1 Foundation Female, donated by Tennessee River Music Inc., Ft. Payne, Ala. TRM 6104 Lulu 2044 ET was purchased by the Dave McMahon family of Belle Point Ranch, Ft. Smith, Ark., for \$30,000. Lots 38A and 38B generated another \$28,000 for two embryo packages and guaranteed pregnancies donated by Bushy Park Farm, Mitchell, S.D., and Tucker Cattle Co., North Platte, Neb., and purchased by Sullivan Farms, Dunlap, Iowa. T-Bone Ranch, Antonito, Colo., donated another embryo package that sold for \$2,400 to Tejkl Show Cattle, Stanton, Neb.



American Hereford Association and Subsidiaries
Consolidated Statements of Financial Position
August 31, 2013 and 2012

Assets	2013	2012
Current Assets		
Cash and cash equivalents	\$180,411	\$222,540
Short-term investments	50,785	101,213
Accounts receivable, net	631,615	626,684
Accounts receivable - other	51,939	26,986
Prepaid expenses	9,450	45,209
Inventories	35,292	27,982
Total Current Assets	959,492	1,050,614
Investments	2,037,943	1,829,834
Property and Equipment		
Land	462,122	462,122
Building	2,290,047	2,275,928
Furniture and fixtures	441,809	395,373
Vehicles	229,076	207,700
Data processing equipment	535,281	517,929
Software	474,471	470,159
Deduct accumulated depreciation/amortization	(2,114,973)	(1,990,047)
Total Property and Equipment	2,317,833	2,339,164
Other Assets		
Cash temporarily restricted for the National Western Stock Show (NWSS) award	2,585	5,008
Other	90	90
Total Other Assets	2,675	5,098
Total Assets	<u>\$5,317,943</u>	<u>\$5,224,710</u>

Liabilities and Net Assets	2013	2012
Current Liabilities		
Accounts payable	\$261,360	\$184,198
Accrued expenses	243,669	263,738
Current maturities of long-term debt	41,751	46,023
Prepayments from breeders	89,163	98,036
Deferred subscription and advertising revenue	146,429	172,801
Due to Hereford Youth Foundation of America (HYFA)	29,971	55,563
Due to Junior National Hereford Expo (JNHE)	28,535	39,339
Total Current Liabilities	840,878	859,698
Long Term Debt, net of current maturities	43,278	45,081
Net Assets		
Temporarily restricted net assets	2,585	5,008
Unrestricted net assets	4,431,202	4,314,923
Total Net Assets	4,433,787	4,319,931
Total Liabilities and Net Assets	<u>\$5,317,943</u>	<u>\$5,224,710</u>

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

Consolidated Statements of Activities
for the Years Ended August 31, 2013 and 2012

	2013	2012
Changes in Unrestricted Net Assets		
Revenues and Support		
Services	\$2,607,481	\$2,522,262
Advertising and subscriptions	1,771,865	1,683,363
Program revenues	1,033,380	1,000,493
Other	598,590	591,961
Net assets released from restrictions	2,500	2,500
Total Revenues and Support	6,013,816	5,800,579
Expenses		
General and administrative	1,938,522	1,687,990
Board of directors' expenses	40,944	32,766
Building expenses	119,278	210,446
Market development and information	588,513	591,910
Junior activities	238,583	183,251
Research and TPR activities	246,808	232,964
Program expenses	2,476,414	2,357,128
Depreciation	177,807	157,162
Total Expenses	5,826,869	5,453,617
Other Income (Expense)		
Realized gain on sale of investments	24,175	2,474
Net appreciation (depreciation) in fair value of investments	(87,597)	9,349
Other (expense)	(7,246)	(3,880)
Total Other Income (Expense)	(70,668)	7,943
Increase in Unrestricted Net Assets	116,279	354,905
Changes in Temporarily Restricted Net Assets		
Contributions	77	(2,508)
Net assets released from restrictions	(2,500)	(2,500)
Increase (Decrease) in Temporarily Restricted Net Assets	(2,423)	8
Increase in Net Assets	113,856	354,913
Net Assets - Beginning Of Year	4,319,931	3,965,018
Net Assets - End Of Year	<u>\$4,433,787</u>	<u>\$4,319,931</u>

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

Consolidated Statements of Cash Flows for the Years Ended August 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Increase in net assets	\$113,856	\$354,913
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	177,807	157,162
Realized (gain) on sale of investments	(24,175)	(2,474)
Net (appreciation) depreciation in fair value of investments	87,597	(9,349)
Change in assets and liabilities:		
(Increase) in accounts receivable	(4,931)	(69,948)
(Increase) decrease in accounts receivable — other	(24,953)	19,574
(Increase) decrease in prepaid expenses	35,759	(8,269)
(Increase) in inventories	(7,310)	(6,165)
(Increase) decrease in prepayments from breeders	(8,873)	6,190
(Increase) decrease in accounts payable	77,162	(46,064)
(Increase) decrease in accrued expenses	(20,069)	49,970
Decrease in deferred subscription and advertising revenue	(26,372)	(88,988)
(Increase) decrease in due to HYFA	(25,592)	11,225
(Increase) decrease in due to JNHE	(10,804)	39,339
Total Adjustments	225,246	52,203
Net Cash Provided By Operating Activities	339,102	407,116
Cash Flows Used In Investing Activities		
Cash temporarily restricted for NWSS award	2,423	(8)
Purchases of property and equipment	(156,476)	(182,868)
Purchases of investments	(1,608,133)	(1,051,370)
Proceeds from sale and maturity of investments	1,387,030	780,041
Net Cash (Used In) Investing Activities	(375,156)	(454,205)
Cash Flows Used In Financing Activities		
Net proceeds UMB car loan	46,545	63,803
Repayments on long-term debt	(52,620)	(64,252)
Net Cash (Used In) Financing Activities	(6,075)	(449)
Net Increase (Decrease) in Cash And Cash Equivalents	(42,129)	(47,538)
Cash and Cash Equivalents, Beginning of Year	222,540	270,078
Cash and Cash Equivalents, End of Year	\$180,411	\$222,540
Supplemental Cash Flow Information:		
Cash paid during the year for interest	\$4,275	\$3,423

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

Notes to Consolidated Financial Statements August 31, 2013 and 2012

1 — Summary of Significant Accounting Policies

Nature of Operations The American Hereford Association (AHA) 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. Members and subscribers of the Association are primarily owners and breeders of Hereford cattle. The members and subscribers are located worldwide; however, the largest concentration is within the United States.

Hereford Publications Inc. (HPI) provides publication services to Hereford cattle ranches and publishes a monthly magazine.

The Association is the sole member of Certified Hereford Beef® LLC (CHB). 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 1, 2001. Prior to that date, CHB's activities were performed and accounted for within the Association.

American Beef Records Association (ABRA) provides computer consultation in herd planning and management, breeding services and marketing for commercial livestock.

Basis of Consolidation The consolidated financial statements include AHA and its wholly owned subsidiaries, Hereford Publications Inc. (HPI), Certified Hereford Beef® LLC (CHB) and American Beef Records Association (ABRA) collectively referred to as the Association. All material intercompany transactions have been eliminated in consolidation.

Management Estimates Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could vary from the estimates that were used.

Advertising Costs The Association expenses advertising costs as they are incurred. Advertising expense was \$396,021 and \$361,093 for the years ended August 31, 2013 and 2012, respectively.

Basis of Financial Statement Presentation The Association reports information regarding its financial position and activities according to three classes of net assets.

- Unrestricted net assets are funds available for any purpose.
- Temporarily restricted net assets represent contributions whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations. When a stipulated restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
- Permanently restricted net assets — At August 31, 2013 and 2012, the Association had no permanently restricted net assets.

Cash and Cash Equivalents The Association considers all money market investments and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Investments amounting to \$37,970 and \$91,580 were considered to be cash equivalents as of August 31, 2013 and 2012, respectively.

Accounts Receivable Accounts receivable consist of amounts billed for magazine advertising, subscriptions and member services, but not received by year-end. Bad debts are provided on the allowance method based on management's evaluation of outstanding accounts receivable at the end of each year. 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 will be turned over to a collection agency. The allowance for doubtful accounts was \$5,930 and \$5,979 as of August 31, 2013 and 2012, respectively.

Inventories Inventories are valued at the lower of cost (first-in, first-out) or market.

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, 2013 and 2012. 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.

Property and Equipment Property and equipment are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The assets are depreciated and amortized over periods ranging from 3 to 30 years. Additions and improvements of \$1,000 or more are capitalized, while maintenance and repairs which do not improve or extend the life of the asset are expensed in the year incurred.

Depreciation charged against income amounted to \$177,807 and \$157,162 for the years ended August 31, 2013 and 2012, respectively.

Revenue Recognition The Association recognizes service fee revenue over the applicable accounting period to which the services relate. Unearned revenues related to Association services and publication subscriptions and advertising of HPI are reflected as deferred revenue on the Consolidated Statement of Financial Position.

Functional Allocation of Expenses The costs of providing the various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes AHA, ABRA, and CHB are exempt from federal income taxes on their primary operations under paragraph 501(c)(5) of the Internal Revenue Code, and therefore have made no provision for federal or state income taxes in the accompanying financial statements. They are, however, subject to income taxes on any net income from unrelated business activities. AHA, ABRA, and CHB have been classified by the Internal Revenue Service as organizations that are not private. HPI is a taxable entity and is, therefore, subject to federal income taxes. It is HPI's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At August 31, 2013 and 2012, HPI believes it has appropriately accounted for any unrecognized tax benefits. To the extent HPI prevails in matters for which a liability for unrecognized tax benefit is established or is required to pay amounts in excess of the liability, HPI's effective tax rate in a given financial statement period may be affected.

2 — Concentration of Credit Risk

The Association maintains cash accounts at a bank located in the Kansas City metropolitan area. The balances in the bank periodically exceed the Federal Deposit Insurance Corporation (FDIC) limits. The FDIC insured limits were \$250,000 at August 31, 2013 and 2012. The Association's uninsured cash balances totaled \$149,260 and \$0 at August 31, 2013 and 2012, respectively.

3 — Fair Value Measurements

Fair values of assets measured on a recurring basis at August 31, 2013 and 2012 are as follows:

August 31, 2013	Fair Value	Quoted prices in active markets for identical assets (Level 1)
Equity Securities	\$ 62,855	\$ 62,855
Municipal Bonds	23,636	23,636
Government agency bonds	986,879	986,879
Corporate bonds	742,010	742,010
Fixed Income Securities	273,348	273,348
Total	<u>\$2,088,728</u>	<u>\$2,088,728</u>
August 31, 2012		
Government agency bonds	\$ 848,380	\$ 848,380
Corporate bonds	906,055	906,055
Fixed Income Securities	176,612	176,612
Total	<u>\$1,931,047</u>	<u>\$1,931,047</u>

Investments consist of government bonds and notes, corporate bonds and notes, and equity securities which are carried at fair value using quoted prices in active markets for identical assets (Level 1), in accordance with generally accepted accounting standards. Unrealized gains/(losses) in the amount of \$(87,597) and \$9,349 were recorded to adjust investments to fair value for the years ended August 31, 2013 and 2012, respectively.

These investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

4 — Retirement Plan

The Association established a defined contribution employee retirement 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, 2013 and 2012 were \$85,734 and \$77,452, respectively.

5 — Long-Term Debt

Long-term debt consists of the following at August 31:	2013	2012
Notes - vehicles, collateralized by related vehicles, interest from 2.74% to 5.89%, maturing from September 2013 through November 2017.	\$85,029	\$91,104
Less: Current portion	41,751	46,023
Total Long-Term Debt	<u>\$43,278</u>	<u>\$45,081</u>

Scheduled maturities of principal payments on the liabilities are as follows:

Year	Amount	Year	Amount
FYE 2014	\$41,751	FYE 2017	\$5,774
FYE 2015	\$26,268	FYE 2018	\$1,108
FYE 2016	\$10,128	Thereafter	—
			<u>\$85,029</u>

Interest expense was \$4,275 and \$3,423 for the years ended August 31, 2013 and 2012, respectively.

6 — Income Taxes

The provisions for income taxes consist of the following components for the years ended August 31:	2013	2012
Current	\$ —	\$ —
Deferred		
Temporary differences	11,796	13,184
Change in valuation allowance	(11,796)	(13,184)
	<u>\$ —</u>	<u>\$ —</u>

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.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of HPI's assets and liabilities. Differences are primarily attributable to the net operating loss carryforwards, resulting in deferred tax assets. The components of the deferred tax assets are as follows at:

Deferred Tax Assets	August 31, 2013	August 31, 2012
Net operating loss carryforwards	\$151,203	\$162,999
Less: Valuation Allowance	(151,203)	(162,999)
	<u>\$ —</u>	<u>\$ —</u>

HPI utilized net operating losses of approximately \$34,692 and \$96,052 for the years ended August 31, 2013 and 2012, respectively.

HPI has net operating loss carryforwards of \$444,716 available to offset future federal and state taxable income that expire beginning in 2018 as follows:

Year	Amount	Year	Amount
2018	\$27,541	2021	\$116,294
2019	\$157,696	2022	\$29,681
2020	\$95,052	Thereafter	<u>\$18,452</u>
			<u>\$444,716</u>

The Association files income tax returns in the U.S. Federal jurisdiction and various U.S. state jurisdictions. The Association is subject to U.S. federal or state income tax examinations by tax authorities generally for a period of three years after filing of the tax returns.

7 — Temporarily Restricted Net Assets

Temporarily restricted net assets are funds donated for the purpose of awarding \$2,500 annually to the champion of the National Western Stock Show in Denver. The balance of temporarily restricted net assets was \$2,585 and \$5,008 as of August 31, 2013 and 2012, respectively.

8 — Collections

The Association has a collection of artwork, appraised at approximately \$640,500, at August 31, 2013 and 2012, that is on public display at the Association's headquarters. The most recent appraisal is as of August 2011. The Association has adopted a policy of not capitalizing the collection of artwork in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. No items were purchased for or removed from the collection during the years ended August 31, 2013 or 2012.

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

9 — Subsequent Events

Management has evaluated subsequent events through October 2, 2013, the date which the financial statements were available for issue. There have been no events which require disclosure.

Independent Auditor's Report

Board of Directors/American Hereford Association/Kansas City, Mo.:

We have audited the accompanying consolidated financial statements of American Hereford Association (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of August 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 Hereford Association and subsidiaries as of August 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

— Respectfully submitted, Kennedy and Coe, LLC, October 2, 2013

Pursuant to its bylaws, AHA submits the above financial information for its members as of the close of the fiscal years ended August 31, 2013 and 2012.

— American Hereford Association, Craig Huffhines, executive vice president

2012-13 Registrations, Transfers and Memberships

State	Registrations	Transfers	Cow Inventory	Members		Registration Rank
				Active	Juniors	
Alabama	1,038	740	1,730	35	22	23
Arizona	249	20	576	10	6	39
Arkansas	877	769	1,211	78	64	25
California	1,250	530	2,351	105	80	21
Colorado	1,362	551	2,072	62	25	19
Connecticut	91	64	165	14	13	41
Delaware	10	2	11	4	1	47
Florida	150	65	146	12	5	40
Georgia	1,653	1,175	2,201	74	43	14
Idaho	2,068	899	2,162	53	34	10
Illinois	2,762	2,081	4,614	203	221	8
Indiana	1,721	1,095	3,625	163	156	13
Iowa	1,834	1,177	2,592	139	119	12
Kansas	3,883	1,863	6,468	132	85	4
Kentucky	1,296	764	1,826	78	74	20
Louisiana	388	355	268	38	43	36
Maine	62	34	39	15	4	42
Maryland	354	289	555	41	52	37
Massachusetts	45	13	37	7	10	45
Michigan	746	746	1,185	69	43	29
Minnesota	1,493	743	2,114	99	57	17
Mississippi	850	551	873	46	40	26
Missouri	3,552	2,148	6,007	181	145	6
Montana	2,817	1,019	3,483	65	20	7
Nebraska	5,113	2,062	7,016	141	84	2
Nevada	304	137	630	14	6	38
New Hampshire	25	19	40	8	4	46
New Jersey	52	49	108	10	15	43
New Mexico	656	168	1,215	26	9	32
New York	421	228	947	53	40	35
North Carolina	768	336	1,429	65	26	28
North Dakota	1,990	896	3,841	61	20	11
Ohio	1,074	772	1,581	121	69	22
Oklahoma	3,582	2,131	3,568	156	140	5
Oregon	1,605	676	2,059	69	54	15
Pennsylvania	688	480	1,044	70	58	30
Rhode Island	7	2	1	1	2	48
South Carolina	427	195	838	25	11	34
South Dakota	4,660	1,671	7,491	99	58	3
Tennessee	2,095	1,632	3,418	131	64	9
Texas	7,820	4,235	9,076	370	270	1
Utah	688	97	1,020	22	2	31
Vermont	52	37	67	6	2	44
Virginia	914	464	1,359	61	29	24
Washington	832	278	1,487	69	34	27
West Virginia	633	395	1,128	48	14	33
Wisconsin	1,504	819	2,503	120	93	16
Wyoming	1,469	485	2,317	38	24	18
TOTAL	67,930	35,957	100,494	3,507	2,490	

TOP 10

REGISTRATIONS

Top 10 States

Texas	7,820
Nebraska	5,113
South Dakota	4,660
Kansas	3,883
Oklahoma	3,582
Missouri	3,552
Montana	2,817
Illinois	2,762
Tennessee	2,095
Idaho	2,068

Top 10 Breeders

Rausch Herefords	945
Hoven, S.D.	
Shaw Cattle Co. Inc.	776
Caldwell, Idaho	
Upstream Ranch	451
Taylor, Neb.	
Van Newkirk Herefords	443
Oshkosh, Neb.	
MM Ranch	394
Chanute, Kan.	
Fawcetts Elm Creek Ranch	363
Ree Heights, S.D.	
Dudley Bros.	350
Comanche, Texas	
Langford Herefords	342
Okmulgee, Okla.	
Topp Herefords	318
Grace City, N.D.	
Holden Herefords	314
Valier, Mont.	



2012-13 AHA Board of Directors — Pictured seated (l to r) are: **Cliff Copeland**, Nara Visa, N.M., president; **Steve Lambert**, Oroville, Calif., vice president; **Dale Micheli**, Ft. Bridger, Wyo.; **Marty Lueck**, Mountain Grove, Mo.; and **Craig Huffhines**, Kansas City, Mo., executive vice president. Directors standing (l to r) are: **Keith Fawcett**, Ree Heights, S.D.; **Sam Shaw**, Caldwell, Idaho; **Jonny Harris**, Screven, Ga.; **Curtis Curry**, McAlester, Okla.; **Eric Walker**, Morrison, Tenn.; **Fred Larson**, Spring Valley, Wis.; **Dale Venhuizen**, Manhattan, Mont.; and **David Trowbridge**, Tabor, Iowa.

American Hereford Association

Vision Statement

To be the preferred beef breed for producers and consumers.

Mission Statement

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

Strategic Intent Statement

The American Hereford Association will grow its herd book cow numbers by 1% a year, registrations 3-5% per year and its commercial bull market share to 22% by 2015. This will be achieved by delivering practical tools, trusted documentation, targeted education, innovative marketing and member services to progressive, profit-oriented seedstock producers, commercial cow-calf producers, feeders and packers who value increased efficiency, predictability and differentiation.

Core Strategies

- I. Improve the overall quality, consistency, predictability and profitability of Hereford genetics.
- II. Build strategic alliances.
- III. Continue to grow the Certified Hereford Beef (CHB®) program.
- IV. Increase investment in member and customer education and service.
- V. Increase focus of communicating the profitability advantage of Hereford genetics.
- VI. Grow non-traditional revenue.
- VII. Cultivate the growth and development of juniors and young breeders.



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