



BUILT ON TRADITION. ENGINEERED TO SUSTAIN.



2022 AMERICAN HEREFORD ASSOCIATION ANNUAL REPORT

1881



Built on Tradition. Engineered to Sustain.

Hereford breeders in the United States and the American Hereford Association (AHA) have never wavered from the vision that began in 1881 — build more pounds of quality beef and more production-efficient females with fewer resources than otherwise possible, via the breed's inherent genetic advantages.

AHA worked hard during fiscal year 2022 (FY22), adjusting and refining its focus to continue emphasizing to the industry the value Hereford genetics bring to U.S. cow herds.

Planning the work

The AHA Board of Directors approved the organization's new five-year strategic plan. Development of the plan began with extensive survey work conducted by Kevin Ochsner, Agcellerate president, and Tom Field, director of the Engler Agribusiness Entrepreneurship Program at the University of Nebraska-Lincoln. Survey participants included commercial cattle producers, feedlot operators, packers and sale barn owners. Survey findings informed a series of candid focus group sessions, which included a variety of leaders from all industry sectors, as well as additional one-on-one interviews. All were aimed at broadening insight about industry perceptions of Hereford genetics in the U.S. cattle industry from pasture to plate.

Ochsner and Field shared periodic updates with the AHA Board of Directors throughout the latter part of 2021 and early 2022. They delivered compiled results to the Board during a strategic planning meeting in April, which included further insights from Bayer Crop Science and Midan Marketing. Then Ochsner and Field facilitated the Board's strategic planning process over the course of two intensive days. The Board approved the final version of the plan during the summer 2022 Board of Directors meeting.

Next steps forward

AHA added staff during the year, who are key to the Association providing members expanded opportunity and more targeted breed promotion and communications to a broader swath of the industry, especially in the commercial

sector. Kelsey Vejraske became the AHA's audio-visual specialist. Jake Drost joined forces with the Association as its feeder cattle marketing specialist in the Western region of the U.S. Both positions enhance the visibility and presence of Hereford genetics in the commercial sector.

New and ongoing research remains an AHA priority to characterize and verify the value of Hereford genetics to commercial cow-calf producers.

AHA launched a collaborative, landmark research project with AgNext and geneticists at Colorado State University. The project explores how feed intake and feed efficiency are related to enteric methane production and nitrogen excretion, which are components of the cattle industry's carbon footprint.

During the last fiscal year, AHA also began the second year of a multi-year research project with the University of Illinois to document the efficiency value of the Hereford F-1 female. Steer progeny produced as part of the project will be finished; individual feed intake and carcass performance data will be collected.

Focused effort

Every AHA department met goals and financial expectations in FY22. The AHA is in a very healthy financial position.

Hereford cattle came to the United States in 1817 to serve a specific need — efficiently add pounds to native cattle grazing the nation's rangeland, while also creating reproductively efficient females. American Hereford breeders founded the Hereford Cattle Breeders Association in 1881, which was later renamed the American Hereford Association.

The Board and staff remain committed to building and supporting programs that fulfill this mission.

JACK WARD

AHA EXECUTIVE VICE PRESIDENT



PROMOTING THE BREED

Sharing Hereford's Unique Story

Hereford's rich history and ongoing breeder dedication to genetic improvement continue to add value to the beef industry. Both elements are behind "Come Home to Hereford," the American Hereford Association's (AHA) multi-year promotional campaign. It invites cattlemen and women home to the values associated with the breed's heritage while highlighting the added production and marketing leverage Hereford offers commercial cow herds.

The AHA's marketing team traveled to operations across the country, visited with producers and heard firsthand accounts about the impact Hereford bulls are making in commercial herds. Testimonials shared by these producers provide compelling content for videos, feature stories and news releases. These producer insights also continue to shape the AHA's central marketing message.

"Come Home to Hereford" has also driven the development of a marketing plan focusing on the commercial cow-calf industry. AHA communications underscore the breed's inherent strengths — efficiency, fertility, longevity, docility and sustainability. During the last fiscal year, AHA shared this message with the beef industry through various print and digital mediums, both traditional and non-traditional.

For instance, the AHA established a podcast to share stories of the breed's history, connect with producers behind the bald face and relay the progress that has impacted operations across the country. The podcast, 1881, has reached nearly 10,000 people in more than 30 countries. A new 1881 episode is published each month with guests from all sectors of the industry sharing their knowledge and views with listeners.

"Come Home to Hereford" also builds a bridge to a new collateral campaign "1881— Built on Tradition. Engineered to Sustain." Both emphasize the opportunity Hereford provides commercial producers to improve their operations' economic sustainability, while also improving the industry's environmental sustainability.



LEVERAGING DATA

Ever Reaching Efficiency

American Hereford Association (AHA) research continued deliberate, logical progression in fiscal year 2022 (FY22), leveraging previous findings to advance breed improvement and genetic opportunity for commercial cow-calf producers.

Reaching deeper — maternal efficiency

Past AHA research projects demonstrated the economic value associated with direct and maternal heterosis in Hereford-sired, F1 black baldy females, compared to straightbred black Angus peers. Documented advantages include fertility (pregnancy rate), pounds of calf weaned per cow exposed, feedlot feed efficiency and cost of gain, cow feed efficiency (pasture), and net return per calf.

Table 1: Registrations of AI and ET calves

Year	AI/ET
2012	25.7%
2013	26.5%
2014	26.5%
2015	29.6%
2016	31.3%
2017	31.9%
2018	32.7%
2019	32.8%
2020	32.9%
2021	32.8%

AHA's current multi-year research project with the University of Illinois carries previous knowledge about maternal heterosis a step further. The project compares Hereford-sired, black baldy cows to straightbred black Angus

Table 2: Feeder calf/bull sale price ratio

Year	Feeder Price*	Bull Price*	Feeder Bull Ratio
2012	\$858.41	\$4,671	5.4
2013	\$840.96	\$4,763	5.7
2014	\$1,110.15	\$5,089	4.6
2015	\$1,436.17	\$6,380	5.4
2016	\$968.19	\$5,553	5.7
2017	\$804.80	\$4,666	6.0
2018	\$893.69	\$4,930	5.8
2019	\$865.78	\$4,853	5.8
2020	\$820.33	\$4,784	5.8
2021	\$873.29	\$5,745	6.6

* Cattle Fax average price/hd. for 550lb steers and heifers

* AHA reported bull sales



peers for economically relevant traits such as conception rate, calving rate and pounds of calf weaned per cow exposed. But the project also measures individual cow feed intake prior to breeding and during lactation to establish maintenance energy requirements. Additionally, steer progeny of cows in the project will be fed and finished, providing a comprehensive assessment of values and efficiencies from conception through slaughter.

Ultimately, the project goal is to develop a global economic model to quantify direct and maternal heterosis advantages of the Hereford-sired, F1 baldy female.

Reaching forward — sustainability and genetics

AHA launched a landmark collaborative research project with Colorado State University in FY22, which will enhance the understanding of the genetic differences in seedstock relative to enteric methane production and nitrogen excretion. Both contribute to greenhouse gas (GHG) emissions and the carbon footprint of cattle. Documenting the relationship between traits associated with efficiency — Hereford advantages — and GHG emissions is the logical next step for the breed and the industry.

Top 10 Registrations

State	Breeders
Texas 8,706	Rausch Herefords, Hoven, S.D. 898
Nebraska 6,200	Upstream Ranch, Taylor, Neb. 770
Oklahoma 5,552	Shaw Cattle Co. Inc., Caldwell, Idaho 687
South Dakota 4,964	Topp Herefords, Grace City, N.D. 641
Missouri 4,383	Fawcett's Elm Creek Ranch, Ree Heights, S.D. 567
Kansas 4,267	Van Newkirk Herefords, Oshkosh, Neb. 560
Montana 3,467	Wiese & Sons, Manning, Iowa 473
North Dakota 2,877	Hoffman Herefords, Thedford, Neb. 407
Iowa 2,732	Alexander Mih, Chanute, Kan. 403
Illinois 2,314	Beery Land & Livestock Co., Vida, Mont. 365

2021-22 Registrations, Transfers and Memberships

State	Registrations	Transfers	Cow Inventory	Active Members	Junior Members	Registration Rank
Alabama	945	576	1,036	60	39	26
Arizona	102	157	86	10	3	40
Arkansas	1,059	683	1,383	84	85	22
California	953	401	1,534	68	97	25
Colorado	1,251	651	1,614	75	37	20
Connecticut	82	56	170	12	14	41
Delaware	13	5	3	4	2	47
Florida	244	133	573	34	19	39
Georgia	2,288	1,688	3,835	93	46	11
Idaho	2,004	1,368	2,515	61	48	13
Illinois	2,314	1,737	3,647	208	270	10
Indiana	1,451	1,059	1,866	158	233	17
Iowa	2,732	1,422	3,311	194	231	9
Kansas	4,267	2,150	6,845	138	151	6
Kentucky	1,515	1,124	2,544	127	83	16
Louisiana	756	630	697	67	79	30
Maine	82	26	67	14	6	41
Maryland	496	459	579	59	105	35
Massachusetts	31	22	36	5	11	44
Michigan	571	377	764	80	65	33
Minnesota	1,622	715	2,566	138	85	15
Mississippi	1,318	876	1,477	82	80	19
Missouri	4,383	2,476	6,786	244	176	5
Montana	3,467	1,345	4,080	70	37	7
Nebraska	6,200	3,061	8,983	162	136	2
Nevada	359	329	856	17	4	38
New Hampshire	39	22	42	8	2	43
New Jersey	31	18	53	5	9	44
New Mexico	1,046	412	1,801	34	18	23
New York	451	234	523	64	59	36
North Carolina	818	517	1,489	73	44	27
North Dakota	2,877	708	4,457	59	21	8
Ohio	1,044	991	1,401	160	156	24
Oklahoma	5,552	3,857	8,885	208	325	3
Oregon	1,217	829	1,524	75	55	21
Pennsylvania	785	547	900	99	63	29
Rhode Island	0	0	0	0	2	48
South Carolina	385	253	849	30	14	37
South Dakota	4,964	1,552	8,559	101	105	4
Tennessee	2,270	1,652	3,804	177	116	12
Texas	8,706	6,575	11,491	551	675	1
Utah	642	169	1,052	38	5	32
Vermont	15	7	13	3	0	46
Virginia	742	667	1,244	71	67	31
Washington	564	294	1,223	63	43	34
West Virginia	801	636	1,383	67	46	28
Wisconsin	1,835	1,110	2,259	174	131	14
Wyoming	1,383	484	2,591	41	33	18
Total	76,672	45,060	113,396	4,365	4,131	

This project leverages decades of AHA research and member data, including individual feed intake records collected through the National Reference Sire Program (NRSP) since 2010. Unbiased reporting associated with AHA's Whole Herd Total Performance Records (TPR™) — established in 2001 — adds prediction accuracy.

Because of leadership foresight and breeder commitment to progress, the Hereford breed is poised to represent the entire beef industry as leaders in the sustainability arena.

Expected outcomes of the multi-year project include characterization of Hereford's sustainability advantages associated with absolute production of methane and nitrogen, as well as selection tools enabling producers to select for less GHG emissions.

Foundational power

Much of the breed's genetic progress during the previous two decades is rooted in TPR and NRSP — both initiatives were innovative when they began and still are today.

NRSP compares young Hereford sires via larger contemporary groups, which proves genetic merit sooner and accelerates the prediction accuracy of expected progeny differences (EPDs). This means breed-changing sires can be identified earlier and with less risk. Since it began in 1999, the NRSP has evaluated more than 460 sires.

Collecting complete calf crop performance information through TPR means there is no selection bias, which increases the prediction accuracy of genetic evaluation for all animals registered through AHA.

Breeders' commitment to accelerating genetic improvement is reflected in both the use of genomics and applied reproductive technologies.

More than 165,000 genotypes collected by members contribute to the AHA genetic evaluation.

Almost a third of all calves registered with AHA in 2021 were the product of AI and embryo transfer (ET), (see Table 1).

Proof positive

AHA members' relentless pursuit of genetic improvement is elevating demand for registered Hereford bulls and their value.

The average price paid in 2021 for Hereford bulls reported by AHA was \$5,745. That was \$1,079 more (+23%) than the average price five years earlier. Keep in mind, the 2021 bull price average accounts for 6,280 bulls, one of the largest volumes ever reported by AHA.

The feeder calf/bull sale price ratio (Table 2) continues to increase, reaching its highest level in 2021. This positive trend reflects the opportunity bull buyers identify to invest more in Hereford bulls, which return more to their bottom line.

HEREFORD ADVANTAGE

Continual Improvement

Hereford breeders' commitment to providing genetic solutions and added-value opportunities to their commercial cow-calf customers remains steadfast.

Likewise, the American Hereford Association (AHA) continues to develop tools and expand programs helping breeders serve their customers.

Improving with knowledge

Consider the AHA Hereford Feedout Program and the National Junior Hereford Association (NJHA) Fed Steer Shootout. A growing number of members take the initiative to broaden their knowledge of the cattle feeding industry while learning about the feeding and carcass merit of their genetics.

The Hereford Feedout Program, facilitated by HRC Feed Yards, Scott City, Kan., enables Hereford breeders and their commercial customers to send as few as five head to put on feed and discover how they perform. When finished, these cattle are marketed to National Beef Packing Company, LLC as candidates for Certified Hereford Beef®. Participation grew significantly in 2022 with 561 head from 31 producers in 13 states — more than triple the number of head compared to the previous year. To learn more and to enroll in the 2023 program, visit [Hereford.org/genetics/breed-improvement/feedout-program](https://www.hereford.org/genetics/breed-improvement/feedout-program).

The NJHA Fed Steer Shootout is similar. In addition to finding out how their cattle perform at HRC Feed Yards and on the rail, juniors can participate in activities aimed at providing specific education about the cattle feeding and beef packing sectors. The Fed Steer Shootout is also a competition with awards for steer performance and participation in the educational activities.

Now in its sixth year, the 2022 Fed Steer Shootout included 200 head from 75 NJHA members in 17 states. That was 50% more cattle and 83% more juniors participating than the previous year.

During the feeding phase, participants in both programs can attend an educational field day. This year's field day included an in-depth tour of HRC Feed Yards, as well as beef carcass processing and fabrication demonstrations.

To learn more about this program and enroll in the 2023 contest, visit [Hereford.org/youth/njha-fed-steer-shootout](https://www.hereford.org/youth/njha-fed-steer-shootout).

Value-added programs

AHA commercial marketing programs also serve as examples of

Hereford breeders' commitment to help commercial users of Hereford genetics reap added opportunity.

The Hereford Advantage, Premium Red Baldy and Maternal Advantage programs highlight the use of Hereford bulls of superior genetic merit. The programs also provide a platform for program participants to document and market calves sired by genetically superior Hereford bulls.

Commercial producers selling Hereford-influenced feeder cattle and replacement females can also list them for free in a designated section of the AHA website.

To find more information about AHA commercial programs and resources, visit [Hereford.org/commercial](https://www.hereford.org/commercial).

AHA expanded commercial marketing efforts this year by developing a marketing partnership with Jake Drost, JRD Cattle Co., Klamath Falls, Ore.

All of this is part of AHA's strong foundation and commitment to helping members serve their commercial customers in an increasingly competitive marketplace.



SHARING THE STORY

Continuing the Tradition

Hereford Publications Inc. (HPI) publishes *Hereford World*, the American Hereford Association's (AHA) official publication. *Hereford World* provides pertinent, timely articles aimed at assisting ranchers and producers with their marketing decisions and management practices.

Hereford World restructured its editorial team in 2021 to include Wes Ishmael, executive editor, and Katie Miller, assistant editor. The team transition was completed with Sydnee Shive assuming the role of managing editor in June 2022.

Elements of this transition are reflected in broader commercial focus in the tabloid issues, aimed at increasing the value of Hereford genetics among commercial cattlemen and women. The new Annual Meeting Guide tailored to AHA members is as an example of the creative ways the team continues to enhance communication with Hereford breeders.

Beyond the magazine, HPI Creative Services continually evolves to offer Hereford breeders and commercial cattlemen more services and tools to advance their brands.

Alison Marx, advertising coordinator, works closely with the AHA field staff to secure advertising for the *Hereford World*. She leads targeted advertising campaigns on the AHA's Facebook page and builds effective digital and print campaigns, which benefit Hereford seedstock producers. Entering its second year, the AHA Facebook advertising campaigns continue to be effective and expand their reach.

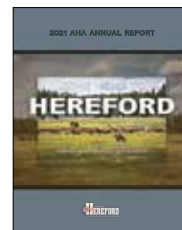
Creative Services uses social media to promote catalogs created by the department. New hire Bailey Lewis, creative services coordinator, helps expand HPI's social media use to benefit Creative Services clientele. When a sale catalog goes

Hereford World shines

The Livestock Publications Council (LPC) recognized *Hereford World*, Hereford Publications Inc. (HPI) for excellence in several publication categories. The American Hereford Association (AHA) is a longtime LPC supporter. The LPC was founded nearly 50 years ago to serve and advance the livestock publishing industry.



First place
Newspaper cover



First place (tie)
Annual report

to the printer, it is also posted on the AHA website and social media followers are notified, including potential buyers.

Moreover, buyers of Hereford genetics increasingly seek out sales listed through Herefords on Demand (HOD), HPI's online catalog service. Available for both private treaty and production sales, HOD helps users create customized catalog searches for their next herd sire or foundation female. Pictures and videos of catalog lots can also be found using HOD.

The AHA field staff welcomed two new members to the team in 2022. Noah Benedict oversees the Upper Midwest Region, and Colt Cunningham looks after the Western Region.



TASTE THE TRADITION

Tradition Plus Innovation

The Certified Hereford Beef® (CHB) brand is grounded in the breed's time-honored heritage. It is guided by principles that create sustainability, consistency and progress through innovation and integrity.

CHB continues to develop new market share and meet long-term goals by providing customers with the opportunity to grow their business through offering a unique, differentiated beef product of the highest eating quality, backed by unwavering customer service. In turn, CHB supports and expands market opportunity for Hereford breeders and commercial users of Hereford genetics.

Solutions with integrity

Offering partners marketing solutions is the centerpiece of the CHB business model. CHB provides foodservice and retail partners complimentary marketing materials, educational programs and national promotional opportunities.

These are new industry-leading marketing initiatives and concepts the CHB team introduced in fiscal year 2022 (FY22).

Marketing kits

These kits focus on seasonal trends and provide partners with marketing materials to help stores promote CHB and drive sales at the meat counter. These digital kits include holiday-specific social media graphics, in-store posters, images, full-page advertisements, videos and recipe cards.

Promotional contests

The “Grill Games” contest — offered in collaboration with CHB beef packing partner, National Beef Packing Company LLC — was developed for select licensed CHB retail partners. It prompted consumers to purchase CHB and enter a drawing for a chance to win store gift cards. Consumers could earn a second chance to win prizes by posting a picture on social media of their CHB cooked meal. CHB and National Beef provided the participating retail stores with point-of-sale materials, signage, geotargeted advertising support and contest prizes. This initial promotional contest was so successful that CHB offered another at the start of the new fiscal year: “USA The CHB Way.”

Hereford family signage and graphics

Connecting consumers to the story behind the CHB brand is key to program success for foodservice and retail partners. The CHB marketing team continues to develop “Local Hereford Producer” poster signage for licensed retail stores and restaurants across the U.S.

The signage features a local Hereford family and information about the hard work and dedication behind the CHB brand. These posters increase consumer brand recognition by illustrating the brand's connection to AHA members in the local community. The team also designs custom menu graphics for restaurants that highlight a local Hereford farm family.





Elevating brand awareness

During FY22, the CHB team represented the brand at more than 30 food shows across the U.S. and internationally. Food shows are hosted by retail and foodservice distributors to showcase the brands they offer to customers. The team works with CHB-licensed distributors to promote the brand to thousands of retail and restaurant customers who are clients of the distributor and have the opportunity to add CHB to their own offering.

Consumer brand recognition is vital to the program's success. The CHB team invests in educating consumers about CHB and furthering brand awareness through social media channels, retail and restaurant events, radio advertisements, Google and social media ads, billboard signage, delivery truck wraps and influencer partnerships. The CHB's social media profiles — Facebook, LinkedIn and Instagram — all experienced growth. Instagram reach grew by 153.1% year over year. In total, social media channels reached more than 120,000 people FY22.

Integrity

The CHB brand is an industry leader in product integrity with strict standards ensuring product consistency and reliability for business partners and customers. These standards and transparency are essential to building and maintaining trust that is based on high expectations.

The CHB brand focuses on providing families across the world with a wholesome, quality product.

Looking forward

Innovation, brand elevation and product integrity will continue to propel brand growth in an ever-changing marketplace. As the demand for high-quality beef continues to increase, CHB is prepared to take advantage of the opportunity and secure additional market share. The CHB team works diligently to utilize its resources to expand the distribution area of CHB products while maintaining longstanding partnerships and ensuring sustainable growth.

CERTIFIED HEREFORD BEEF

**USDA CHOICE
AMERICAN BEEF
FARM FAMILY-OWNED**

certifiedherefordbeef.com

**SUPPORT YOUR
LOCAL**

HEREFORD Farm Families

**LECOMPTON,
KANSAS**

THE Schumann Family

From their pasture to your plate,
you can rest assured Certified Hereford Beef®
has been sustainably raised by the
best caretakers in the world!

BUILDING THE FUTURE

Continuing to Learn, Lead and Achieve



The National Junior Hereford Association (NJHA) and the Hereford Youth Foundation of America (HYFA) provide Hereford youth multifold opportunities to share their common passion for the cattle they raise, while increasing their knowledge, honing leadership skills, networking and engaging in professional development opportunities — “Learn. Lead. Achieve.”

NJHA members’ initiative to take full advantage of these opportunities shone bright throughout fiscal year 2022 (FY22).

After years of postponement due to the COVID-19 pandemic, the VitaFerm® Junior National Hereford Expo (JNHE) returned to the green chips of Louisville, Ky., to host Banners in the Bluegrass. It was extra special with 1,232 entries representing 775 junior members from 39 states. Besides fierce competition in the showing, JNHE participants competed in skill and leadership development contests — many returning to an in-person format for the first time since the pandemic began. More than \$30,000 in scholarships were awarded at the HYFA Scholarship, Awards and Maroon Jacket ceremony.

This year’s JNHE was dedicated to the late Bob Norton, who was CEO of BioZyme Inc., as well as an active NJHA enthusiast, supporter and HYFA board member. In remembrance of his legacy, the first Bob Norton Excellence Award was given to previous NJHA board member, Cody Jensen of Platte City, Mo.

Learning the commercial side

HYFA continues to power the NJHA Fed Steer Shootout, which provides NJHA members an opportunity to learn about

the cattle feeding and beef packing sectors while also learning how their cattle perform in the feedlot and on the rail.

The comprehensive educational portion includes a performance portfolio, quizzes and completion of Beef Quality Assurance certification. The Fed Steer Shootout is also a competition, with more than \$10,000 in scholarships awarded during the American Hereford Association (AHA) Annual Meeting.

Record numbers enrolled in the 2022 Fed Steer Shootout and the AHA Hereford Feedout Program, both hosted at HRC Feed Yards, in Scott City, Kan. This year’s Fed Steer Shootout included 200 steers from 75 NJHA members in 17 states. The second annual Fed Steer Shootout field day at HRC Feed Yard hosted 90 Hereford breeders — junior and adult — from 14 states. Participants viewed their cattle and heard from industry experts. Educational opportunities included beef fabrication demonstrations presented by Cargill, career networking mixers and market reports from CattleFax. The Fed Steer Shootout field day is poised to continue growing.

Boldly reaching for the sky

NJHA hosted its inaugural, innovative Building On Leadership Development (BOLD) Conference. NJHA board members sparked the idea more than three years ago to offer NJHA members a one-of-a-kind leadership and skill development opportunity.

Hi Point Ranch, owned by GKB Cattle in Desdemona, Texas, graciously hosted the event. The first BOLD Conference included the NJHA leadership team and 20 participants.



This elite leadership event provided a unique opportunity to network with industry professionals and receive advice about future careers. Kelly Barnes, a professional leadership trainer and inspirational speaker, led leadership exercises as well as resume and interview workshops.

NJHA members also took advantage of this year's Faces of Leadership conference — "Sky's the Limit" — in Billings, Mont. It hosted 92 Hereford juniors from 22 different states and Canada. The event included tours of Hereford operations in Big Sky Country, inspirational and educational keynote speakers, sessions hosted by the NJHA board of directors, tours of the iconic Public Auction Yards and fun adventures such as white water rafting on the Yellowstone River.

Workshops hosted by the NJHA board used lessons taught during the Hereford Homeroom program at the state level to continue building junior leadership skills throughout the year. Next year's Faces of Leadership Conference — "Prepare You for Leadership" — will be in Columbus, Ohio.

Scholarships recognize achievement and honor legacies

Scholarships are a HYFA pillar. Hereford juniors received \$185,000 in scholarships during the fiscal year. The Mead Family Memorial Scholarship and the Ostgaard-Breiner

Non-Traditional Scholarship were added in FY22. In addition to these new scholarships, several new endowments are being created by family and friends to honor the memory of loved ones and support Hereford juniors, who are the future of our industry.

HYFA and NJHA focused on growing their presence and marketing efforts this past year, aiming to raise additional funds — more opportunity for Hereford juniors — with each promotion. NJHA debuted The Junior Hereford Show, a podcast encouraging members to learn, lead and achieve. HYFA's new website illustrates the organization's streamlined, modern approach toward the future. HYFA's annual report is available online and mailed to donors. This report was recognized for excellence by the Livestock Publications Council and demonstrates HYFA's effort to grow and expand opportunities in all areas of scholarship, leadership, education and research.



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, 2022 and 2021; 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.

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, 2022 and 2021, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are 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 audits 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 GAAS. 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 7, 2022, Lenexa, Kansas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – August 31

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$877,873	\$1,094,258
Short-term investments	382,215	418,983
Accounts receivable – net	601,034	626,923
Prepaid expenses	60,386	7,392
Inventories	176,057	133,236
Due from Hereford Youth Foundation of America	22,510	27,786
Income tax receivable	6,371	6,371
Total Current Assets	2,126,446	2,314,949
Property and Equipment – Net	614,983	326,228
Other Assets		
Investments	14,691,640	16,518,569
Operating lease right-of-use assets	1,365,384	1,600,858
Deferred income tax	92,000	83,000
Other noncurrent assets	6,100	6,100
Total Other Assets	16,155,124	18,208,527
TOTAL ASSETS	\$18,896,553	\$20,849,704
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$286,667	\$297,392
Accrued expenses	462,604	269,578
Prepayments from breeders	104,234	92,936
Prepayments for advertising and subscriptions	159,364	161,267
Due to Junior National Hereford Expo	–	1,990
Long-term debt – current portion	162,563	246,608
Operating lease liabilities – current portion	276,087	274,050
Total Current Liabilities	1,451,519	1,343,821
Noncurrent Liabilities		
Long-term debt – less current portion	274,626	288,992
Operating lease liabilities – less current portion	1,135,540	1,369,515
Total Noncurrent Liabilities	1,410,166	1,658,507
Total Liabilities	2,861,685	3,002,328
Net Assets		
Without donor restrictions	16,034,868	17,847,376
TOTAL LIABILITIES AND NET ASSETS	\$18,896,553	\$20,849,704

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	2022	2021
Revenue and Support		
Services	\$4,139,591	\$4,200,589
Advertising and subscriptions	2,100,908	1,932,403
Program revenues	414,444	435,634
Other revenue	1,026,616	928,012
Total Revenue and Support	7,681,559	7,496,638
Expenses		
Program expenses	5,477,917	5,281,370
General and administrative expenses	2,124,089	2,152,074
Total Expenses	7,602,006	7,433,444
Other Income (Expense)		
Gain on sale of investments	243,582	301,505
Gain on sale of property and equipment	28,341	5,211
Net appreciation (depreciation) in fair value of investments	(2,364,224)	2,581,052
Other income	191,765	147,535
Total Other Income (Expense)	(1,900,536)	3,035,303
Change in Net Assets Without Donor Restrictions Before Tax	(1,820,983)	3,098,497
Income tax benefit	8,475	18,475
Net Change in Net Assets	(1,812,508)	3,116,972
Net Assets – Beginning of Year	17,847,376	14,730,404
Net Assets – End of Year	\$16,034,868	\$17,847,376

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – Years Ended August 31

	2022			2021		
	Program Expenses	General and Administrative	Total	Program Expenses	General and Administrative	Total
Salaries and wages	\$1,410,216	\$1,095,307	\$2,505,523	\$1,389,344	\$1,127,174	\$2,516,518
Employee benefits	266,552	185,545	452,097	277,187	198,824	476,011
Accounting and professional fees	28,537	112,145	140,682	12,130	125,366	137,496
Supplies	13,825	17,124	30,949	9,517	22,090	31,607
Telephone and utilities	113	33,920	34,033	579	32,463	33,042
Postage and shipping	87,765	60,875	148,640	66,868	59,871	126,739
Equipment rental	2,634	15,031	17,665	3,681	14,500	18,181
Printing	302,903	8,537	311,440	225,289	20,941	246,230
Travel	335,441	127,916	463,357	214,523	104,008	318,531
Office rent	243,394	27,044	270,438	242,015	26,891	268,906
Meeting and conferences	182,804	13,399	196,203	71,097	16,159	87,256
Dues and subscriptions	26,830	25,907	52,737	21,817	27,015	48,832
Insurance	17,210	33,343	50,553	17,548	31,756	49,304
Publicity and promotional materials	131,340	—	131,340	156,118	—	156,118
Credit card fees	—	131,107	131,107	—	137,473	137,473
Maintenance and repairs	71,540	98,527	170,067	67,972	71,948	139,920
DNA	1,044,672	—	1,044,672	993,094	—	993,094
Advertising	277,635	—	277,635	242,366	—	242,366
Premiums	28,735	—	28,735	15,681	—	15,681
Genetic evaluation	96,658	—	96,658	82,822	—	82,822
Research and development	6,192	—	6,192	56,107	—	56,107
Miscellaneous	20,688	131,619	152,307	15,017	135,595	150,612
NJHA expenses	141,459	—	141,459	126,117	—	126,117
Creative services	520,299	—	520,299	529,263	—	529,263
Consumer marketing	61,771	—	61,771	221,733	—	221,733
Export	10,801	—	10,801	4,804	—	4,804
Depreciation expenses	144,890	—	144,890	208,315	—	208,315
Taxes	3,013	6,743	9,756	10,366	—	10,366
Total Functional Expenses	\$5,477,917	\$2,124,089	\$7,602,006	\$5,281,370	\$2,152,074	\$7,433,444

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

CONSOLIDATED STATEMENTS OF CASH FLOWS – Years Ended August 31

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and subscribers	\$7,636,499	\$7,349,785
Cash paid to vendors and employees	(7,565,003)	(7,225,030)
Interest and dividends received	473,302	318,868
Income taxes paid	(525)	(525)
NET CASH PROVIDED BY OPERATING ACTIVITIES	544,273	443,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,157,407)	(3,189,846)
Purchases of property and equipment	(436,160)	(114,428)
Proceeds from sale of investments	1,931,320	2,977,867
Proceeds from sales of property and equipment	—	5,500
NET CASH USED IN INVESTING ACTIVITIES	(662,247)	(320,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(98,411)	—
Net Increase (Decrease) in Cash and Cash Equivalents	(216,385)	122,191
Cash and Cash Equivalents – Beginning of Year	1,094,258	972,067
Cash and Cash Equivalents – End of Year	\$877,873	\$1,094,258
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$12,417	—

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 American Hereford Association and its wholly-owned subsidiaries: Hereford Publications, Inc.; Certified Hereford Beef, LLC; American Beef Records Association; and Hereford Legacy Fund, LLC. All significant intercompany transactions have been eliminated in the consolidation. Collectively, the consolidation is hereafter referred to as the Association.

Nature of Organization and Operations 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 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 AHA. HLF holds the proceeds from the sale of AHA's building in 2018 and makes distributions to the 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 consolidated 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.

Basiss 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 \$572,353 and \$621,183 were considered to be cash equivalents at August 31, 2022 and 2021, 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, 2022 and 2021. Gains or losses on sales of investments are determined on a specificcost 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 Accounting standards generally accepted in the United States of America (GAAP) 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, 2022 and 2021.

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, advertising and subscription, and hosting database services are recognized over the term of the contract. The contracts are generally for a term of one to three years. Advertising and subscription revenue is deferred and included in prepayments for advertising and subscription 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 advertising and subscription revenues were \$159,364 and \$161,267 for the years ended August 31, 2022 and 2021, 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 12.

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 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 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 lease standard at the adoption date, and recognizes a cumulative-effect adjustment to the opening balance of net assets 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 expensed during the years ended August 31, 2022 and 2021, were \$277,635 and \$242,366, 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. However, AHA, ABRA, CHB, and HLF are 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 GAAP 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.

Evaluation of Subsequent Events The Association has evaluated subsequent events through October 7, 2022, 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:

August 31	2022	2021
Financial Assets – End of Year		
Cash and cash equivalents	\$877,873	\$1,094,258
Accounts receivable - net	601,034	626,923
Investments	15,073,855	16,937,552

Financial Assets Available to Meet

Cash Needs For General Expenditures Within One Year	\$16,552,762	\$18,658,733
--	--------------	--------------

The Association has \$16,552,762 available for general expenditures. This would cover all of next year's budgeted expenses, even without the income it has budgeted.

3 — ACCOUNTS RECEIVABLE – NET

Accounts receivable consisted of the following:

August 31	2022	2021
Trade receivables	\$523,781	\$518,083
Allowance for doubtful accounts	(5,119)	(11,220)
Subtotals	518,662	506,863
Other receivables	82,372	120,060
Total Accounts Receivable – NET	\$601,034	\$626,923

4 — FAIR VALUE MEASUREMENTS

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

August 31, 2022	Level 1	Level 2	Level 3	Total
Mutual funds	\$310,513	—	—	\$310,513
Equity securities	10,747,167	—	—	10,747,167
Government agency bonds	—	\$1,725,005	—	1,725,005
Corporate bonds	1,512,867	—	—	1,512,867
Fixed income securities	778,303	—	—	778,303
Total	\$13,348,850	\$1,725,005	—	\$15,073,855

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

5 — PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

August 31	2022	2021
Leasehold Improvements	\$91,773	\$91,773
Furniture and fixtures	340,071	337,203
Vehicles	272,631	246,825
Data processing equipment	259,550	235,042
Software	431,422	431,422
Equipment	295,540	—
Subtotals	1,690,987	1,342,265
Accumulated depreciation	(1,076,004)	(1,016,037)
Total Property and Equipment – Net	\$614,983	\$326,228

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 in 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 in 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 payments through August 31, 2022 and 2021, were \$22,021 and \$21,712, respectively, with a termination or renewal date in March 2028.

Amounts recorded as lease expenses were \$288,103 and \$287,087, respectively, for the years ended August 31, 2022 and 2021. Amounts paid through cash were \$241,860 and \$244,379, respectively, for the years ended August 31, 2022 and 2021.

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

Years Ending August 31	
2023	\$276,087
2024	271,958
2025	273,501
2026	277,202
2027	280,903
Thereafter	141,377
Total	\$1,521,028

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, had the first 10 months of interest deferred, and has a term of five years.

The Association applied for forgiveness of the PPP loan on November 30, 2020, with respect to these covered expenses, but was not granted forgiveness by the SBA. On November 11, 2021, the Association renewed the PPP loan with UMB Bank for the principal amount of \$535,600. The note matures April 21, 2025, and has a fixed rate of 1% per annum.

Interest expense on long-term debt was \$12,417 for the year ended August 31, 2022.

The aggregate maturities of the above long-term debt for the years subsequent to August 31, 2022, are as follows:

Years Ending August 31	
2023	\$162,563
2024	164,214
2025	110,412
Total	\$437,189

8 — LINE OF CREDIT

The Association has an unsecured line of credit with UMB Bank which provides a maximum available amount of \$250,000 at August 31, 2022. The balance on the line of credit at August 31, 2022, was \$-0-. The line of credit matures on November 30, 2022. The line of credit had a variable interest rate of 5.5% at August 31, 2022. Interest expense during the year ended August 31, 2022, was \$-0-.

9 — INCOME TAXES

The provisions for income taxes consisted of the following components:

Years Ended August 31	2022	2021
Current Income Tax 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	8,000	11,000
Depreciation	3,000	8,000
Allowance for bad debt	(2,000)	—
Total Deferred Income Tax Benefit (Expense)	9,000	19,000
Total Provision for Income Tax Benefit (Expense)	\$8,475	\$18,475

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of HPT'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	2022	2021
Deferred Tax Assets		
Net operating loss	\$83,000	\$75,000
Depreciation	8,000	5,000
Allowance for bad debt	1,000	83,000
Net Deferred Tax Asset	\$92,000	\$64,000

10 — COLLECTION OF ARTWORK

The Association has a collection of artwork, appraised at approximately \$639,200 at August 31, 2022 and 2021, 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, 2022 and 2021. There were no pieces disposed of during the years ended August 31, 2022 and 2021.

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

11 — 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, 2022 and 2021, were \$95,039 and \$100,211, respectively.

12 — REVENUE RECOGNITION

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

Membership Services Membership services include 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.

Advertising and Subscriptions Advertising and subscriptions include 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 services include 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 include 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 include revenues from promotional media services. Revenues are recognized as the services are performed at a point in time.

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



BUILT ON TRADITION. ENGINEERED TO SUSTAIN.

11500 N AMBASSADOR DR. KANSAS CITY, MO 64153 | 816-842-3757 | HEREFORD.ORG