



Brad McCurry (left), Mount Hope, Kan., was named Outstanding Herdsman at the 2002 National Western Stock Show (NWSS) Annual Angus Herdsmen Banquet in Denver, Colo. McCurry was chosen for the honor by a vote of his peers. Presenting the award is James Fisher, American Angus Association director of activities and junior activities. The NWSS is one of the many Association-sponsored activities in which members participate during the year.

Right: For the first time in the 33-year history of the NJAS, a junior premier breeder award was presented. Kyle Conley, Clarksdale, Mo., was the recipient.



The carload and pen shows are a big draw for both exhibitors and spectators at the NWSS in Denver, Colo. Activities in "the Yards" are well-attended by Angus breeders from across the United States and provide exhibitors with a unique marketplace for selling genetics to commercial producers.



Left: John McCurry (right), Burrton, Kan., received the outstanding leadership award from the National Junior Angus Association (NJAA). The award, given in memory of Barbara Smalstig, recognizes a junior who has been a leader in the beef industry and within the community. Brittney Burns, 2001-2002 NJAA leadership director, presented the award at the Association's Annual Banquet.



More than 200 Angus producers from 30 states, Canada and Poland participated in the 2002 National Angus Conference and Tour in Sacramento, Calif. During the two-day tour through northern California, participants were shown a sampling of the 350 agricultural products produced in the state, such as almonds, walnuts and grapes, as well as lots of Angus cattle.

Angus Youth Are a Valuable Future for the Breed

Junior members of the American Angus Association account for nearly one-third of the organization's active membership and an even bigger portion of its enthusiasm. The National Junior Angus Association (NJAA) is comprised of youth age 21 and younger who have a passion for the Angus breed and enjoy participating in Angus activities. These youngsters can be found in nearly every state of the nation and in Canada, and they represent the future of the American Angus Association.

Activities of the NJAA culminate in one event — the National Junior Angus Show (NJAS). In 2002, the NJAS was hosted by Wisconsin Angus enthusiasts at the Wisconsin State Fair Park in Milwaukee. The weeklong event includes the world's largest single-breed beef cattle show, educational contests and the opportunity to form lasting friendships with others from across the country.

The 2002 NJAS saw 550 exhibitors show 949 head of cattle, and more than 500 young people take part in competitions, including team sales, prepared and extemporaneous speaking, posters, graphic design, photography, and showmanship. The American Angus Auxiliary also organized and sponsored the All-American *Certified Angus Bee*[®] (CAB[®]) Cook-Off.

New activities added to the NJAS this year include a project of the

Nearly 100 juniors and advisors gathered in Sacramento, Calif., for the 2002 Leaders Engaged in Angus Development Conference.

Speakers from all segments of the beef industry and exposure to California's rich and diverse agricultural economy provided a well-rounded learning experience for all participants. Working as a large group and in small breakout sessions gave attendees many ways to learn.



year competition for state associations, a creative writing contest for all age divisions and a mentoring program. The mentoring program paired young junior members with older, more active junior members who could "show them the ropes" at the NJAS and help them learn about the contests and activities available.

In addition to the fun and games at the NJAS, the NJAA Annual Meeting is also conducted. During the meeting, delegates elect six new directors to the NJAA Board and vote on any proposed bylaw changes.

The NJAA Board of Directors is comprised of 12 junior members elected from 12 different states. Six directors are elected each year to serve two-year terms. In their second year, directors assume officer roles, and the newly elected six directors round out the Board. The Board works to bring information and education to the state and local level and plans contests and events for the entire membership. They also raise money for the Angus Foundation, which supports youth, education and research.

Running a close second to the NJAS in popularity with the membership is the annual Leaders Engaged in Angus Development (LEAD) Conference. Juniors ranging from 14 to 21 years of age gather to learn about the beef industry and the American Angus Association, as well as to enhance their leadership and interpersonal skills. This year's conference, "From Saint Joe to Sacramento — On the Rail to Success," in Sacramento, Calif., was attended by nearly 100 juniors and advisors.

With the help of the Information Systems (IS) Department, the NJAA Web site, which can now be found at www.njaa.info, received a facelift in 2002. A new logo was incorporated into the design, contest information and rules were added, a calendar of events was developed, and state junior Angus association officers were posted on the site. Online registration for the LEAD Conference was a new addition to the site.



The NJAA Web site found a new look and feel during the year. Several enhanced features and a new user-friendly design were implemented, offering members more access to information about junior programs and fun ways to stay informed about the NJAA.



Serving on the 2002-2003 National Junior Angus Association Board of Directors are (seated, from left) Lacey Robinson, Montgomery City, Mo., leadership director; Brandon Walker, Lexington, Ga., Foundation director; Mercedes Danekas, Wilton, Calif., chairman; and Lana Myers, Jennings, La., vice chairman; (standing, from left) Brian Howell, Union City, Ind., communications director; Jamie King, Tiffin, Ohio; Amy Wolfrey, Frederick, Md.; Jenni Beck, Louisburg, N.C.; Jamie Hower, Bethlehem, Pa.; Cortney Collins, Tanner, W.Va.; John McCurry, Burton, Kan., membership director; and Trevor Kuipers, Onarga, Ill.

Building Solid Foundations

The generous donations of Angus breeders and friends of the Angus breed have made many opportunities available to Angus youth through the work of the Angus Foundation. Established in 1980 to support youth, education and research, the 501(c)(3) organization works directly with the American Angus Association and strongly supports the National Junior Angus Association (NJAA).

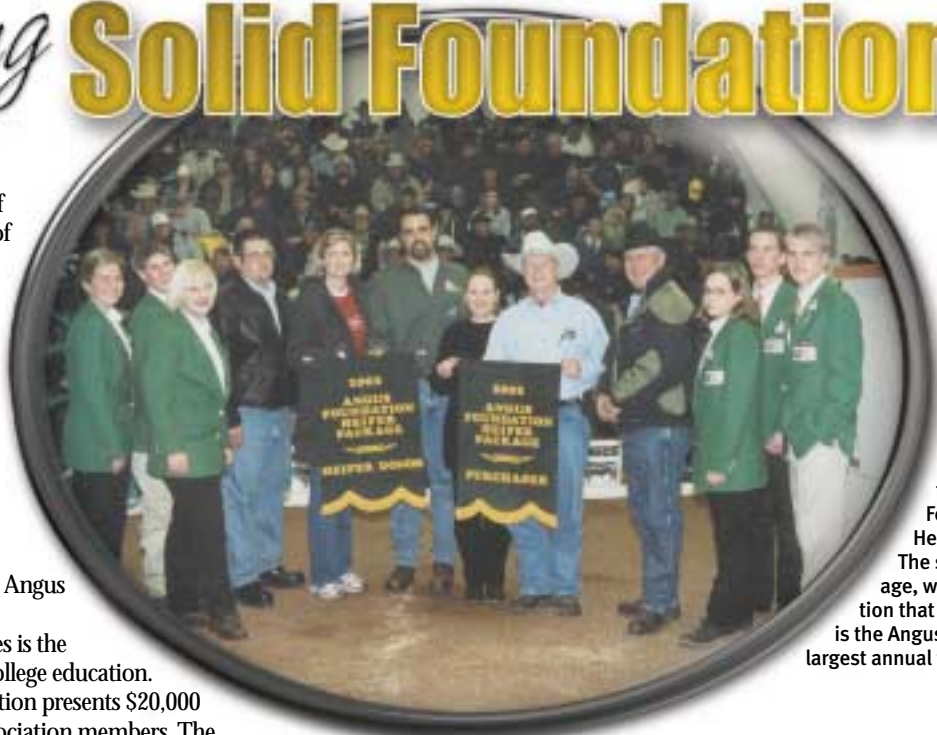
One of those opportunities is the chance to finance part of a college education. Each year the Angus Foundation presents \$20,000 in scholarships to young Association members. The recipients are announced in July at the National Junior Angus Show (NJAS). A list of recipients for 2002 is included on this page.

The Angus Foundation also supports the NJAA Board of Directors and provides support for educational contests and leadership conferences.

To continue to provide these opportunities and more, the Angus Foundation must continue to build its resources. The Angus Foundation Heifer Package, which sells each January in Denver at the National Western Stock Show (NWSS), is the Angus Foundation's largest annual fund-raiser. In 2002 the package featured a pick of the fall 2001 heifer calf crop at Shady Brook Angus Farm, Leoma, Tenn., and was donated by the Santini family. Kahn Cattle Co. LLC, Rydal, Ga., purchased the package for \$25,000. In addition to the pick of heifers, the package also contained a wide variety of products and services donated by businesses and individuals.

This year also marked the formation of a partnership between the Angus Foundation and Biozyme Inc., Saint Joseph, Mo. Biozyme will contribute a portion of the sales income from purchases of Vita Farm products by Angus producers back to the Angus Foundation. Association members simply sign up for the program with their local Vita Farm dealer and complete proof-of-purchase forms as they buy products. To kick off the partnership, Biozyme also made a \$5,000 cash donation to the Angus Foundation.

The second annual Angus Foundation Golf Tournament was held in conjunction with the NJAS at the Songbird Hills Golf Club near Milwaukee, Wis. Teams of Angus enthusiasts competed for fun and prizes,



Kahn Cattle Co. LLC, Rydal, Ga., purchased the 2002 Angus Foundation Heifer Package. The sale of the package, which is a tradition that began in 1980, is the Angus Foundation's largest annual fund-raiser.

but mostly to support the Angus Foundation and Angus youth. Many Angus farms and ranches supported the event by sponsoring holes, drink carts and prizes.

Another project benefiting the Angus Foundation during the year was the sale of the American Angus Association's history book, *A Historic Angus Journey — The American Angus Association, 1883-2000*. Keith Evans wrote the book and was present at the Association's Annual Meeting in Louisville, Ky., for the launch of the sales and a book signing. Sales of the book generated more than \$55,000 for the Angus Foundation in the first year.

As a special offering, 50 copies of the history book were signed and numbered by the author. Books numbered one through five of that offering were sold via live auction and silent auction during Angus activities at the North American International Livestock Exposition (NAILE) in Louisville, Ky. Those five books generated a total of \$20,000, which was donated to the Richard L. Spader Memorial Fund.

The Angus Foundation continues its commitment to communication with both donors and members of the Association. A Web site, www.angusfoundation.org, features links that describe the benefits of the Angus Foundation and outline the levels of giving and ways to donate, complete with contact information and photographs of events. A biannual newsletter, *Foundation for the Future*, is mailed to all active regular and life members to keep them informed about news and developments regarding the Angus Foundation.



Sales of *A Historic Angus Journey — The American Angus Association, 1883-2000*, were launched during the year. The book is available with a black leather cover or a beige cloth cover and can be purchased by calling the American Angus Association or using the shop-online feature at www.angus.org.

2002 Angus Foundation Scholarship Recipients

\$2,500 Scholarship Winners

Rebecca Nida, Oklahoma
Lacey Robinson, Missouri

\$1,000 Scholarship Winners

Kyle Conley, Missouri
Tammy Ettredge, Texas
Naomi Gray, Nebraska
Brian Howell, Indiana
Jamie King, Ohio
Trevor Kuipers, Illinois
Emily McCurry, Kansas
Brandon New, Kansas
Amanda Penner, Oklahoma
Wrex Phipps, Nebraska
Cody Sankey, Kansas
Renee Thelen, Michigan
Jake Tiedeman, Nebraska
Christy Walther, Virginia
Amy Wolfrey, Maryland

API Media

Communicate to

Add Value

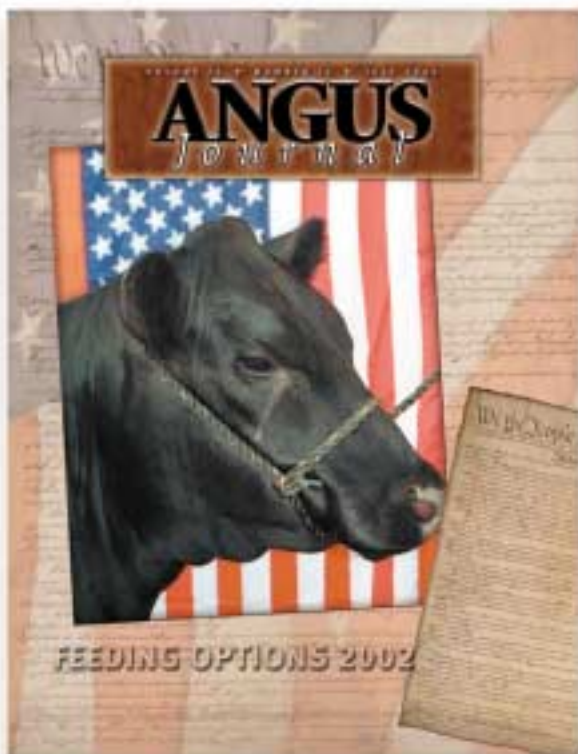
Angus Productions Inc. (API) aggressively pursues opportunities to communicate to producers information that will help add value to their cow-calf enterprises and to communicate the value of Angus cattle to potential customers. A wholly owned, for-profit subsidiary of the American Angus Association, API publishes the *Angus Journal* and the *Angus Beef Bulletin* and provides additional marketing assistance to producers through the Web Marketing and Special Services departments.

Publications

The *Angus Journal* serves as the primary means of communication with members for the Association and its entities. The publication carries the Association message and other pertinent news to the membership via 12 monthly issues. With 1,370 pages of columns and feature articles in fiscal year (FY) 2002, the editorial staff provided subscribers the most comprehensive coverage of Association and beef industry news available in the industry.

FY 2002 represented the first year subscription fees were decoupled from the Association membership. The move was intended to lessen the impact of needed fee increases by giving multimember households the opportunity to maintain only one subscription to the Association's main communications vehicle.

The *Angus Journal* circulation averaged 20,560 in FY 2002. Another 4,600 National Junior Angus Association (NJAA) members whose households would not otherwise receive the publication, received the



API annually sponsors the NJAA/*Angus Journal* Photography Contest. Entries are judged at the Association headquarters prior to the National Junior Angus Show, where they are displayed and the winners are announced. Three entries from the 2002 contest, including the photo used for the July 2002 cover, were selected to be *Angus Journal* cover images.

May and September issues as part of their junior memberships.

The *Angus Beef Bulletin* serves as the breed's vehicle to communicate the value of Angus to commercial producers. Published four times each year, the *Bulletin* features commercial producers using Angus genetics, information about Association programs and services for commercial producers, and the latest news from the Certified Angus Beef LLC (CAB) Supply Development Team.

Angus producers are realizing the value of promoting their herds to commercial producers using Angus genetics by advertising in the *Angus Beef Bulletin*. Advertising in the publication increased 2.6% in FY 2002. With a readership of more than 67,000, the *Bulletin* hit the primary target audience for most advertisers of registered Angus cattle.

The teamwork of three on-staff writers, four talented field editors and a summer intern, combined with efforts of the American Angus Association's Communications and Public Relations Department and CAB's Industry Information Department, gives API publications a valuable edge. With its regional diversity and sheer manpower, API is equipped to attend meetings and to study the industry in order to stay informed and in position to communicate information of value to Association members and their customers.

Whether producers want to purchase a listing on a state page, a four-color image advertisement in the *Angus Journal* or a 120-page sale book, API has the human and technical resources to meet their promotional needs.

API's design team creates award-winning advertisements that reflect an advertiser's personality while communicating the value of the seedstock and services that are being promoted. With the assistance of the advertising and photo departments, the design team can offer creativity within the short turnaround time that members have come to expect from the American Angus Association and its entities.

Angus Journal Advertising Trends and Numbers

	<u>FY 2002</u>	<u>FY 2001</u>
Total AJ page count for year	5,488	5,526
Average no. pages per month	457.33	460.5
Average no. advertising pages per month	183.34	190.95
Average no. sale book pages per month	159.80	151.33
Average no. editorial pages per month	114.18	118.21

Slight decline attributed to fewer sale book pages overall and slight downturn in ad pages.

Special services

The Special Services Department continues to be the industry leader in providing the direct-marketing tools producers need to promote their businesses. Capable of handling almost any print service to help producers merchandise their cattle, the department produced 154 sale books, 70 brochures and several miscellaneous print jobs, such as business cards and postcards, during FY 2002.

The sale books produced in 2002 included a 10% increase from FY 2001. Of that total, 48 sale book advertisers took advantage of the economical benefits provided by mailing with the *Angus Journal* as either an insert within the magazine or polybagged with the publication.

Cattlemen who select the Special Services Department to produce their sale books receive the benefits of pedigrees and the most current expected progeny differences (EPDs) downloaded from the Association database and access to the member mailing list, as well as having their sale books posted on the World Wide Web.

Online

In order to communicate time-sensitive announcements and industry news to members more quickly, the Web Department started an e-List news service in 2001. In FY 2002, the e-List's first full year of operation, the department distributed 80 news items. Members can subscribe to the free service at www.angusjournal.com. The list currently boasts 1,525 subscribers.

In June the department activated the www.angusphotos.com Web site. People can use the site, which has received nearly 50,000 hits, to find scanned images of Angus bulls and females available at no charge for use in promotional items for a farm or ranch. Photos can be viewed by entering either an animal name or registration number.



Llangollen Farms, Middleburg, Va., won the 2002 *Angus Journal* Land Stewardship Award. Maintaining the environmental effort at Llangollen Farms are (from left) Roy and Lila Ash, John and Stephanie Wilkins, Todd Meade and Patrick Wolack.



Brad Parker, former associate editor, claimed top honors in the Junior Division-Print category of the Oscars in Agriculture competition. The entry consisted of the three-article series on Johne's disease that was published in the *Angus Journal*.

Also, exhibitors and owners of animals shown at super-point Roll of Victory (ROV) shows and the National Junior Angus Show (NJAS) can now see their proofs and purchase pictures online at www.angusphotos.com. All proofs taken of an animal can be viewed. In FY 2002, 105 scans were purchased and 178 show photos were ordered.

Real-time coverage of events is becoming a mainstay of API online services, offering those who can't attend an event the opportunity to attend online. Coverage of the 2002 National Western Stock Show (NWSS) received 370,000 hits, while coverage of the 2002 NJAS received 410,000 hits.

In addition to Angus events, this year's real-time coverage featured the Beef Improvement Federation (BIF) Research Symposium and Annual Meeting in Omaha, Neb., July 10-13. Boehringer Ingelheim Vetmedica Inc. sponsored the site (www.BIFconference.com) and a companion topic site (www.beefcovefficiency.com) featuring cow herd efficiency. To date, the BIF conference site has generated 85,565 hits, while the topic site has garnered 26,748 hits.

More producers are realizing the value of communicating information about their herds online via Web advertising. The Web Marketing Department activated 31 breeder Web sites in FY 2002, bringing the total number of VIP Web sites to 110. Breeders posted 29 banner ads on www.angusjournal.com, 32 banner ads on real-time coverage sites and six e-List banner ads. One hundred seventy-one sale books were posted online. ■

Expanding Product Line

Drives CAB Sales

Adding value to *Certified Angus Beef*[®] (CAB[®]) brand products meant adding value to Angus cattle in 2002. A 25% increase in CAB value-added product sales led the way, along with expansion in Canada and Mexico, and growing demand for CAB Prime. By summer, Certified Angus Beef LLC (CAB) licensees had built success to a record three consecutive months of sales greater than 50 million pounds (lb.).

CAB never strays from its goal of putting dollars into Angus producers' pockets. This was the first year the CAB impact on the commercial industry could be quantified, which was done through market research and licensed packer cooperation. By selling finished cattle through value-based marketing programs, Angus producers receive \$23-\$25 million in premiums for CAB cattle each year. And CAB-directed auction studies showed record premiums of more than \$20 per head for known Angus vs. non-Angus steer calves last fall.

A Cattle-Fax study released this year showed that in 2000 CAB product sales contributed between \$468 and \$538 per head to the average price of Angus bulls.

Licensed feedlots harvested 21% more cattle through licensed packing companies than in fiscal year (FY) 2001. New feedlot partners from Oklahoma to North Dakota joined the Feedlot-Licensing Program (FLP), growing it to 79 lots in 17 states with a one-time capacity of more than 800,000 head.



Arrachera, among other underutilized cuts sold internationally, and value-added products lead the brand's initiative to add value to Angus cattle.

Quality remains key, with more enrolled cattle meeting Thirty-Aught (30-0) Program criteria of at least 30% Prime or CAB acceptance and zero discounts from such outliers as Yield Grades (YG) 4 and 5. A total of 8,403 head of enrolled cattle have achieved 30-0 recognition. Boise Valley Feeders, Parma, Idaho, was the first to reach Silver Status in the program by tallying more than 1,000 on-target Angus cattle.

CAB-funded research on DNA testing continued in 2002 at Ohio State University. While the goal of opening a commercial test remained elusive, the focus turned to adding tests for tenderness.

After 14 years of assisting Angus producers through structured sire evaluation, CAB ended its coordinating role in compiling progeny carcass data with the close of FY 2002. Since 1988, the program amassed a database of nearly 150,000 entries, working with 520 Angus producers and evaluating nearly 5,000 sires. The Association will continue to compile progeny test data submitted through Angus Herd Improvement Records (AHIR). CAB-licensed feedlots will serve as a channel for members who want to prove sires for carcass merit through progeny testing.

Growing value-added product sales strengthened CAB's position as the leading brand of fresh beef, with 8% of U.S. federally graded beef's market share. Developing interest from retailers and restaurateurs led to a 25% increase in value-added product sales. Advancements in consumer awareness came with the brand's suppliership to the 2002 Olympic Winter Games. More than 1.5 million servings of CAB product were supplied — including a record 100 franks per minute during the 17 days of the Games.

Value-added product sales and carcass utilization drove brand sales past the half-billion-pound mark for the third consecutive

MOUTHWATERING
would be an understatement.

Only **8 percent** of beef meets the highest standards to become the *Certified Angus Beef*[®] brand.

CERTIFIED ANGUS BEEF

Angus beef at its best

The new consumer advertising campaign breaks through the clutter to eliminate consumer confusion about beef by presenting a unified, consistent brand message.



year. Total sales reached an estimated 538 million lb., eclipsing last year's sales figure, despite starting out in the shadow of worldwide terrorism and health fears. In projected figures, retail licensees sold 292 million lb., or about 55% of total volume, while foodservice licensees sold 167 million lb., and international licensees contributed 70 million lb. to total sales.

In early 2002, one CAB packer began producing the *teres major*, a clod muscle identified by the beef industry as a cost-effective alternative in foodservice. Packers are also producing the flatiron, another "value cut" from the clod that is more popular at retail, with more than 240,000 lb. sold this year.

For those who appreciate the finest things, CAB began aggressively marketing its Prime product nationwide. El Gaucho restaurants in Portland, Ore., and Seattle, Wash., have relied on the superior quality of CAB Prime since first purchasing it in October 2000. "Nobody has better beef than we have," says Paul Mackay, El Gaucho's owner. "There's no competition." The Waldorf-Astoria in New York City recently followed suit, including CAB Prime on its menus.

Now being produced by three major packing companies, 2002 saw 2.6 million lb. of CAB Prime sales, a 127% increase. CAB Prime must pass seven more quality standards than USDA Prime, and less than 1% of beef qualifies.

Although CAB Prime saw initial interest from foodservice, retail has found a tremendous market for this elite category. Among the retail leaders is Reasor's in northeast Oklahoma, with CAB Prime in its full-service case and traditional CAB in its self-serve case.

Despite setbacks last fall, international markets continued as a source of growth, with sales to Mexico alone up 40% for 2002. A key to carcass utilization, the top two subprimals sold in Mexico are the skirt and shoulder clod. The first value-added processor in Mexico was licensed to produce *arrachera marinada*, a marinated beef dish using the outside skirt. CAB sales in Canada have remained strong with a 5% increase, and markets across Asia are strengthening in spite of a drop in exports to Japan. Taiwan topped 1 million lb. for the first time, with a 69% increase. South Korea is up 19%, mainland China is up 74%, and Hong Kong is up 16%.

The brand further developed its image among trade and consumers as the most consistently pleasing Angus beef brand, a step that helps establish CAB-licensed partners as the "place to go" for the best beef in town. The initiative began with a premium look for the brand's logo, one that implied the superior eating quality of the beef within. Next came the distinctive *Angus beef at its best*™ tagline for marketing materials. By April, staff had embarked on a nationwide campaign to update point-of-sale materials in all 3,467 licensed U.S. stores — the first endeavor of this magnitude. By having a consistent national image, consumers recognize the brand the first time and

every time they buy it. New point-of-sale resources were developed for purchase by restaurant partners, too.

The focus on a cohesive image continued in August with the unveiling of the brand's new consumer advertising campaign, featuring a comparison of the CAB eating experience to Niagara Falls. The dynamic campaign was designed to assist licensed partners in attracting more business and growing demand for the brand.

The waterfall and quality statements attract consumers on both an emotional and rational level, hinting at the rush of pleasure enjoyed in the brand's robust, mouthwatering flavor. The campaign, tagline and logo were developed from consumer research in which more than 70% recognized the brand. Of those who recognized CAB, 87% buy it, and nearly 65% do so because of the product's reliable quality, taste and appearance. ■



Frankfurters topped the menu boards at the 2002 Olympic Winter Games. Other CAB items on hand included barbecue beef, chili, pot roast and deli meats, totaling 475,824 pounds.



With CAB Prime in its full-service case and traditional CAB cuts in self-service, Reasor's truly is the "House of Beef." This campaign earned Reasor's top marketing honors from CAB in 2002.

Auxiliary Celebrates

50th Anniversary in 2002

This year marked a special milestone for the ladies of the American Angus Auxiliary. For the past 50 years this group of dedicated and enthusiastic women has supported Angus youth and promoted Angus beef. In 2002 they continued their many activities while also reflecting on the past and looking ahead to the future.

The Auxiliary was organized in 1952 to encourage the promotion and consumption of beef, facilitate education, promote the Angus breed and organize social activities that strengthen the bond among Angus women.

Today they do all that, plus they offer Angus youth some of the most rewarding leadership and scholarship opportunities available. This group of women is a valuable asset to the American Angus Association and its members.

The 50th anniversary celebration officially kicked off at the North American International Livestock Exposition (NAILE) in Louisville, Ky., in November. A special reception was held, and many past Auxiliary presidents and friends of the Auxiliary were in attendance.

With the help of Angus Productions Inc. (API), a committee of former Auxiliary presidents compiled a 50th Anniversary Yearbook in honor of the anniversary. The book documents the history of the organization, including a list of charter members, past presidents, scholarship winners and cook-off winners. This publication will serve as an archive of the organization's history for many generations to come.

Each year the Auxiliary presents scholarships to five male and five female NJAA members who are high school graduates entering their first year of college. Scholarship winners are first chosen by their state and then advance to national competition. The 10 recipients for 2002 are listed on this page.

Five female scholarship recipients earn the right to compete for the title of Miss American Angus in Louisville. Miss American Angus serves as an ambassador for the breed and for Angus youth, attending shows, sales and other events throughout the country during her reign.

Jane Ebert, outgoing Auxiliary president, accepts a certificate of recognition on behalf of the Auxiliary for 50 years of service to the Angus breed.

Howard Hillman, outgoing American Angus Association president, made the presentation at the American Angus Auxiliary's annual brunch in Louisville, Ky. The event was held in conjunction with the North American International Livestock Exposition and was the official kickoff for the Auxiliary's 50th anniversary celebration.



One of the biggest and most anticipated events each year at the National Junior Angus Show (NJAS) is the Auxiliary-sponsored All-American *Certified Angus Beef*® (CAB®) Cook-Off. In this contest states compete for best recipe, showmanship and overall honors. Contestants use both fresh and value-added CAB products and perform skits as part of their presentation to the judges.

The National Junior Angus Showmanship Contest is another activity the Auxiliary supports. Conducted each year at the NJAS, the contest recognizes the top junior showmen in the breed. The Auxiliary sponsors awards for the top-five winners.

With all the joy and celebration the Auxiliary experienced in 2002, the group also experienced sorrow. The organization's 2002 president, Pat Grote, Bennington, Okla., died suddenly in February. Pat was a longtime member of the Auxiliary and an avid supporter of Angus youth. She will continue to be missed by her Angus family and friends for many years to come.

Auxiliary vice president Nancy Sullivan, Marietta, Ohio, assumed the leadership duties for the organization and will continue to serve her intended term as president in 2003.

2002 American Angus Auxiliary scholarship winners

Girls

Emily McCurry, Burrton, Kan.
Joanna Olson, Hereford, Texas
Hope Herd, Fair Grove, Mo.
Alicia Kramer, Farina, Ill.
Kristi Wilson, Orleans, Ind.

Boys

Jason Schroeder, Clarence, Iowa
Casey Rump, Galva, Kan.
Eric King, Tiffin, Ohio
Robby Shofner, Bentonville, Ark.
Jake Tiedeman, North Platte, Neb.

Consolidated Financial Statements

Independent Auditor's Report

Board of Directors
American Angus Association
Saint Joseph, Mo.

We have audited the accompanying consolidated statements of financial position of American Angus Association and its subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Angus Association and its subsidiaries as of September 30, 2002 and 2001, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Saint Joseph, Mo.
Oct. 15, 2002

American Angus Association and Its Subsidiaries Consolidated Statements of Financial Position

Sept. 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,517,585	\$ 1,278,557
Accounts receivable	2,259,439	2,058,495
Interest receivable	37,000	53,078
Inventories	413,480	337,189
Prepaid expenses	200,851	250,309
Prepaid income taxes	-	14,255
Total current assets	<u>5,428,355</u>	<u>3,991,883</u>
INVESTMENTS		
	<u>10,180,541</u>	<u>10,225,518</u>
PROPERTY & EQUIPMENT		
Buildings & land improvements	3,337,926	3,337,927
Furniture, fixtures & equipment	2,038,550	2,172,022
Electronic data processing equipment	4,311,228	4,171,404
Total, at cost	9,687,704	9,681,353
Less accumulated depreciation	<u>5,022,875</u>	<u>4,521,284</u>
Total property & equipment	<u>4,664,829</u>	<u>5,160,069</u>
TOTAL ASSETS	<u>\$20,273,725</u>	<u>\$19,377,470</u>
LIABILITIES & NET ASSETS		
	<u>2002</u>	<u>2001</u>
CURRENT LIABILITIES		
Accounts payable	\$ 534,076	\$ 242,736
Current maturities of notes payable to bank	159,631	148,987
Accrued liabilities	409,807	414,236
Accrued Olympic sponsorship	-	741,696
Deferred income	627,390	658,680
Total current liabilities	<u>1,730,904</u>	<u>2,206,335</u>
LONG-TERM LIABILITIES		
Notes payable to bank, less current maturities above	259,879	424,533
Deferred compensation	184,042	221,349
Accrued postretirement benefits	521,659	529,994
Total long-term liabilities	<u>965,580</u>	<u>1,175,876</u>
Total liabilities	<u>2,696,484</u>	<u>3,382,211</u>
NET ASSETS		
Unrestricted	17,567,241	15,985,259
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>17,577,241</u>	<u>15,995,259</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$20,273,725</u>	<u>\$19,377,470</u>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Financial Statements

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

Years Ended Sept. 30, 2002 and 2001

	2002	2001
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, gains & other support:		
Royalties	\$10,803,004	\$10,449,355
Advertising income	4,180,526	3,834,303
Registrations	3,472,337	3,276,016
Transfers	953,375	908,270
Artificial insemination certificates	1,194,013	1,098,129
Memberships	561,712	198,604
Performance programs	916,790	896,896
Web site revenue	198,722	170,100
Subscriptions	875,866	729,018
Contributions	104,688	27,658
Account and merchandise sales	639,245	778,775
Other income	686,958	271,090
Investment income	165,079	568,812
Total revenues, gains & other support	<u>24,752,315</u>	<u>23,207,026</u>
EXPENSES		
Program Services:		
Certified Angus Beef LLC	10,632,536	10,778,844
Angus Productions Inc.	5,130,167	4,650,270
Member services	1,838,925	1,744,660
Angus Information Management Software	426,128	417,600
Performance programs	1,528,474	1,623,984
Commercial relations	243,103	193,443
Communications & public relations	1,349,024	1,201,580
Field services	541,749	769,489
Activities	1,096,186	991,084
Angus Foundation	170,113	128,670
Total expenses	<u>22,956,405</u>	<u>22,499,624</u>
Changes in net assets before postretirement benefit expense, net unrealized loss on investments and income taxes	1,795,910	707,402
POSTRETIREMENT BENEFIT EXPENSE	2,751	(539,664)
NET UNREALIZED LOSS ON INVESTMENTS	<u>(191,324)</u>	<u>(1,289,822)</u>
Changes in net assets before income taxes	1,607,337	(1,122,084)
PROVISION FOR INCOME TAXES	<u>25,355</u>	<u>3,000</u>
CHANGES IN UNRESTRICTED NET ASSETS	1,581,982	(1,125,084)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	—	—
CHANGES IN NET ASSETS	<u>1,581,982</u>	<u>(1,125,084)</u>
NET ASSETS, BEGINNING OF YEAR	<u>15,995,259</u>	<u>17,120,343</u>
NET ASSETS, END OF YEAR	<u>\$17,577,241</u>	<u>\$15,995,259</u>

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended Sept. 30, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,581,982	\$ (1,125,084)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	836,530	844,043
Amortization	—	3,858
(Gain) loss on sale of equipment	8,353	(70)
Net realized (gain) loss on sale of investments	110,793	(139,570)
Net unrealized (gain) loss on investments	191,324	1,289,822
Net effect of changes in operating assets and liabilities:		
Accounts and interest receivable	(184,866)	138,101
Accounts payable	291,340	(497,072)
Inventories	(76,291)	45,206
Prepaid expenses	49,458	5,926
Prepaid income taxes	14,255	(14,255)
Accrued liabilities, deferred income, deferred compensation and postretirement benefits	(823,057)	893,437
Income taxes payable	—	(3,732)
Net cash provided by operating activities	<u>1,999,821</u>	<u>1,440,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	24,113	61,123
Proceeds from sale of investments	4,385,234	5,418,876
Purchases of property and equipment	(373,756)	(576,077)
Purchases of investments	<u>(4,642,374)</u>	<u>(5,982,788)</u>
Net cash used in investing activities	<u>(606,783)</u>	<u>(1,078,866)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(154,010)</u>	<u>(466,040)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,239,028	(104,296)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,278,557</u>	<u>1,382,853</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,517,585</u>	<u>\$ 1,278,557</u>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Financial Statements

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sept. 30, 2002 and 2001

American Angus Association (the Association) is a not-for-profit organization incorporated in the State of Illinois in 1883. The Association's principal activities include maintaining pedigree and performance information, and the promotion of the Angus breed for its members, a majority of whom are located throughout the United States. These consolidated financial statements include the Association's wholly-owned subsidiary, Angus Productions Inc., a for-profit corporation, incorporated on May 11, 1979, in the State of Illinois. The subsidiary's principal activities are the publishing of the Angus Journal, a magazine for the Angus industry, and other related business activities. The consolidated financial statements also include Angus Foundation and Certified Angus Beef LLC. The Association has controlling financial interest in the Foundation and Certified Angus Beef LLC, including a majority voting interest in their Boards of Directors. The Foundation is a not-for-profit organization incorporated in the State of Illinois in 1980. The Foundation's principal activities are to develop, assist and sponsor educational programs and scientific research on topics related to agriculture. Certified Angus Beef LLC was incorporated in the State of Delaware in 2000. The Company's principal business activity is to operate the Certified Angus Beef Program, and thereby promote the breed of Angus cattle by increasing the demand for registered Angus seedstock in the commercial beef industry. All material intercompany accounts and transactions are eliminated in the consolidation process. Significant accounting policies followed by the Association and its subsidiaries are presented below.

Use of estimates in preparing financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Net assets

Basis of presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards No. 117, Financial Statements of Not-for-profit Organizations. Under SFAS-117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Unrestricted. Unrestricted net assets include all net assets that are neither temporarily nor permanently restricted.

Temporarily restricted. Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. The Association has no temporarily restricted net assets.

Permanently restricted. Permanently restricted net assets include contributed net assets, which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents

include cash on hand, amounts due from banks, mutual funds, short-term discount notes, and money market accounts with an initial maturity date of three months or less.

Inventories

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

Investments

Investments include U.S. government and other governmental agency securities, mutual funds, corporate stocks, certificates of deposit and money market accounts. Investments in U.S. government and other governmental agency securities, mutual funds and corporate stocks are carried at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in unrestricted net assets. Certificates of deposit and money market accounts are carried at cost.

Property and equipment

Property and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	7-20 years
Buildings and building improvements	10-50 years
Office furniture, fixtures and equipment	5-10 years
Electronic data processing equipment	5-10 years

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

Advertising and subscription revenue

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

Advertising costs

The Association expenses advertising costs as incurred.

Other postretirement benefits

The Company provides certain health care benefits for retired employees who meet eligibility requirements. The Company's share of the estimated costs of benefits that will be paid after retirement is generally being accrued by charges to expense over the employees' service periods to the dates they are eligible for benefits.

Concentration of credit risk

Association activities are normally conducted without credit. Credit is granted to customers throughout the United States for advertising purchases.

Income taxes

The Association and Certified Angus Beef LLC are not-for-profit organizations exempt from income taxes under section 501(c)(5) of the U.S. Internal Revenue Code. The Angus Foundation is exempt from income taxes under section 501(c)(3). Angus Productions Inc. is not a tax exempt organization.

Consolidated Financial Statements

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sept. 30, 2002 and 2001

Description of programs

The Association operates the following programs:

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

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

Member Services. The member services department maintains membership records and pedigree records of registered Angus cattle.

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

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

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

Communications and Public Relations. The communications and public relations department provides national advertising and national public relations programs, and member information and education programs.

Field Services. The field services department provides field service to members by attending Angus events and working with members and commercial cattle producers.

Activities. The activities department supports the national junior activities program, provides show premiums and attends Angus shows and events.

Angus Foundation. The Angus Foundation develops, assists and sponsors educational programs and scientific research on topics related to agriculture.

Functional allocation of expenses

The indirect functional costs of providing the various programs and activities of the Association have been allocated amongst those programs according to allocation principles believed to be most representative by management of the actual efforts required by those programs. Program expenses include both these allocated costs and the direct costs of providing each program.

This information is an integral part of the accompanying consolidated financial statements.

Consolidated Financial Statements

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sept. 30, 2002 and 2001

NOTE 1—Investments

The following is a summary of investments held at Sept. 30, 2002 and 2001.

	<u>2002</u>	<u>2001</u>
U.S. government and other		
governmental agency securities	\$3,479,868	\$3,065,637
Mutual funds	1,028,214	1,700,562
Equity securities	3,142,658	3,607,278
Certificates of deposit	1,313,837	1,234,790
Money market accounts	1,215,964	617,251
Total investments	<u>\$10,180,541</u>	<u>\$10,225,518</u>

Investment returns for the years ended Sept. 30, 2002 and 2001, consist of the following:

	<u>2002</u>	<u>2001</u>
Investment income	\$320,032	\$475,162
Net realized gains (losses)	(110,793)	139,570
Net unrealized losses	(191,324)	(1,289,822)
Management fees	(44,160)	(45,920)
Total investment		
return (deficit)	<u>\$(26,245)</u>	<u>\$ (721,010)</u>

NOTE 2—Pension and postretirement benefit plans

The Association sponsors a qualified noncontributory defined contribution plan, which covers substantially all full time eligible employees. Contributions are established by the Board of Directors and are purely discretionary. Contributions to the Plan are based upon eligible employee salaries and years of service. During fiscal years ended 2002 and 2001, the Association contributed \$461,136 and \$450,583, respectively.

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

The Association has deferred compensation plans for several key employees. Under these plans, the participants may elect to defer receipts per sections 457(e)(15) and 415(d) of the Internal Revenue Code of 1986. The deferred compensation of the participants is held in trust and administered by an outside entity. The participants are always fully vested in their contributions. Upon early retirement or other termination of employment, the participant has the option to be paid their account no later than January 31, after the end of the plan year or to take payment in equal annual installments, the last of which shall be no later than five years. The Association may vary payments at its discretion.

The amounts held in trust for each participant are subject to the claims of the general creditors of American Angus Association and its subsidiaries. The net annual amount recorded as deferred compensation was \$36,000 in 2002 and \$6,000 in 2001. Amounts are invested with a trustee, and are recorded on the Association's records as an investment and a matching long-term liability in the amounts of \$184,042 in 2002 and \$221,349 in 2001.

During the fiscal year ended September 30, 2001, the Board of directors approved a plan obligating the Association to provide supplemental health care benefits to employees who meet certain years of service requirements. This benefit is to be funded from the general assets of the Association as they are incurred. The following is information about the benefit obligation and assumptions related to this benefit plan as of September 30:

	<u>2002</u>	<u>2001</u>
Benefit obligation-net	\$ 527,000	\$ 535,000
Accrued benefit cost:		
Current liability	\$ 5,341	\$ 5,006
Long-term liability	521,659	529,994
Total	<u>\$ 527,000</u>	<u>\$ 535,000</u>
Benefits expense (includes benefits of \$5,249 and \$4,664 for the years ending September 30, 2002 and 2001, respectively)	<u>\$ (2,751)</u>	<u>\$ 539,664</u>
Weighted average assumptions:		
Discount rate	6%	6%
Expected return on plan assets	8%	8%

NOTE 3—Notes payable to bank

Notes payable to bank consist of the following:

	<u>2002</u>	<u>2001</u>
Note payable to bank, requiring monthly installments of \$14,331, including interest at 1.475 points below the prime lending rate (3.275% at September 30, 2002), with a final estimated payment of \$121,634 due August 5, 2004, secured by investments.	\$ 419,510	\$ 573,520
Less current portion	159,631	148,987
Long-term portion	<u>\$ 259,879</u>	<u>\$ 424,533</u>
Future maturities of long-term debt are as follows:		
2003	\$ 159,631	
2004	259,879	
Total	<u>\$ 419,510</u>	

Total interest expense was \$17,961 and \$48,632 in 2002 and 2001, respectively.

NOTE 4—Provision for income taxes

The provision for income taxes related to the wholly-owned subsidiary Angus Productions Inc. consists of the following elements at Sept. 30.

	<u>2002</u>	<u>2001</u>
Federal income tax	\$20,166	\$2,126
State income tax	5,189	874
Total provision for income taxes	<u>\$25,355</u>	<u>\$3,000</u>

Consolidated Financial Statements

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sept. 30, 2002 and 2001

NOTE 5—Board designated and permanent restrictions

Included in unrestricted net assets are the following Board designations:

	<u>2002</u>	<u>2001</u>
Research for breed improvements	\$205,000	\$201,050
Information systems	516,387	250,275
Supplemental health benefits	414,153	304,246
Youth and education programs	150,407	166,959
Total Board designated	<u>\$1,285,947</u>	<u>\$922,530</u>

Permanently restricted net assets represent an endowment totaling \$10,000 for both 2002 and 2001, the income from which is expendable to support the Angus Foundation.

NOTE 6—Royalties

Royalties, net of rebates, consist of revenues from Certified Angus Beef LLC. Royalties from two customers represented 30% and 33% of the Association's total revenues, gain, and other support for the years ending September 30, 2002 and 2001, respectively.

NOTE 7—General and administrative expenses

General and administrative expenses were \$2,794,386 and \$2,863,450 in 2002 and 2001, respectively. These expenses were allocated to program services based on allocation formulas believed by management to be representative of the actual efforts required by each program.

NOTE 8—Advertising

Advertising expense for the years ended September 30, 2002 and 2001 totaled \$2,013,742 and \$2,313,862, respectively.

NOTE 9—Supplemental cash flow disclosures

Cash paid for interest was \$17,961 and \$48,632 in 2002 and 2001, respectively. Cash paid for income taxes was \$9,982 and \$20,987 in 2002 and 2001, respectively.

NOTE 10—Commitment

Certified Angus Beef LLC is the Official Branded Beef Supplier of the 2002 Winter Olympic Games and a team supplier through 2004. The balance of this commitment is \$437,881 to provide in-kind product through December 31, 2004.

This information is an integral part of the accompanying consolidated financial statements.