

Producers Use AIMS to Manage Angus Operations

As breeders become more aware of how technology can help manage their herds, they look to the Angus Information Management Software (AIMS) Department to provide the tools they need. Keeping accurate and detailed

herd records not only simplifies the day-to-day management of an Angus herd but also identifies the inefficiencies a breeder can target to increase profitability.

At the end of fiscal year (FY) 2000, more than 1,100 American Angus Association members were using AIMS in their operations. The effect of AIMS is best illustrated by the amount of work the Association receives electronically from the membership. Statistics for the past year indicate 18.9% of registrations, 28.4% of weaning weights and 33.8% of yearling weights were submitted by breeders via e-mail or

computer disk. Those figures represent substantial increases from the previous year. Submitting work electronically benefits the breeder and increases efficiency for the Association.

Staff continue to offer workshops for current AIMS users and prospects throughout the country, often tying these sessions to another Angus event. The workshops are free to the membership and offer step-by-step instructional help for users. The AIMS technical-support staff also continue to help breeders via phone and e-mail. Breeders can call during regular business hours to ask questions or to get help with entering data, submitting files or creating reports. This benefit is provided at no additional cost to the membership.

As Association programs and services expand, AIMS will continue to be enhanced to accommodate the data needs of both registered and commercial producers.



The Association first offered herd management software to members in 1994. Since then, four upgrades have enhanced on-farm management capabilities for breeders.



The Angus Information Management Software (AIMS) technical-support staff field breeders' questions via phone and e-mail. No question is too simple or too complex for the AIMS experts, who enjoy helping breeders use the program features that are designed to simplify day-to-day management of the farm or ranch.

Angus Makes Its Mark on the World Wide Web

As the world moves toward communicating, learning, buying and selling goods on the Internet, so does the Angus business. Breeders are realizing the value of marketing their herds on the Internet and of using the World Wide Web to open new markets and opportunities for their businesses.

The American Angus Association and its entities continue to expand the information and marketing tools available to members on the Internet. During the year the Association purchased and installed the equipment necessary to bring administration of Angus Web sites in-house. The installation allows staff to manage and to maintain the hardware and software resources necessary to provide fast, reliable and feature-rich Internet services.

The Association's flagship site can be found at www.angus.org. Here users will find information about its programs and services, including commercial relations, junior activities, and news about Association-sponsored shows and events. The site is linked to more than 270 individual member sites, as well as nearly 90 industry-related sites. One of the most popular features of www.angus.org is a searchable version of the Association's *Sire Evaluation Report*.

New additions to www.angus.org in 2000 included information on the Angus Beef Record Service (BRS), a gift catalog for the American Angus Auxiliary, frequently asked questions about the Association and the breed, and entry forms for Association-sponsored junior shows.

Angus Productions Inc. (API) maintains three sites that work as an extension of its publications and services and are designed to deliver targeted information to the user. Producers go to www.angusproductions.com to find information about API programs, services and staff. This site serves as the anchor for all information provided by API on the Web. Including visitors to online breeder sale books, www.angusproductions.com welcomed more than 1 million visitors during fiscal year (FY) 2000.

The *Angus Journal* site, located at www.angusjournal.com, features articles from each issue of the magazine, coverage of Angus shows and events, and a large selection of breeder Web sites designed and hosted by API. In FY 2000, the site received 1.3 million hits from 29,752 users averaging nine and a half minutes per visit.

Staff began archiving stories from past issues of the *Angus Journal*. The archive will be accessible through the site in the future. The addition of an e-classified service allows breeders to place an ad for cattle, equipment and other items on this popular site.

Commercial producers will find production information and features from the *Angus Beef Bulletin* at www.angusbeefbulletin.com. The site features stories from the publication, which is distributed four times each year to more than 70,000 commercial beef cattle producers.

A special Web site on managing drought, accessible through the *Bulletin* or *Journal* sites, was developed during the year. More than 11,000 producers used the special site as a resource for managing their operations through drought conditions.

Certified Angus Beef LLC (CAB) beefed up its consumer site (www.2eatcab.com) in FY 2000. Consumers who visit the site will find not only information regarding CAB and its program, but also delicious new recipes, beef cooking tips and nutritional facts. Users can request a list of licensees in their area and enter their favorite recipe in a quarterly contest. The site works hand in hand with the CAB consumer tip line, 1-877-2-EAT-C-A-B.



Producers who go to www.angus.org will find a searchable version of the Association's Sire Evaluation Report, which allows them to find bulls that fall into specific ranges of expected progeny differences (EPDs) for a variety of traits.



A new feature of www.angusjournal.com is an e-classified section where breeders can list cattle, semen, equipment, real estate and other items for sale. This service offers an economical means of advertising for producers who want to reach a worldwide market.

API Leads the Communications Charge

The transition to a world of instant information has changed the way we all communicate. The need for information never has been as urgent, and the tools available to send, to receive and to process that information never have been as volatile as they are today. Angus Productions Inc. (API), the Association's for-profit subsidiary, leads the way in the Association's communication with members and in helping breeders market their herds.

Even as the ways we communicate become more numerous, the *Angus Journal* and *Angus Beef Bulletin* continue to be the Association's primary means of communication with registered and commercial producers. These award-winning publications continue to set the standard for excellence in livestock publishing. In addition, breeders embraced the idea of marketing to and communicating with customers on the World Wide Web in fiscal year (FY) 2000, which led to rapid growth of the API Web Marketing Department.

Members rely on the *Angus Journal*

The Angus breed was built on the *Angus Journal*, which has been published 11 times each year and distributed to more than 23,000 readers. The *Angus Journal* serves as a primary means of communication with the members for the Association and its entities. Timely, high-quality articles, hard-hitting breeder and industry advertising, and instant access to sale books make the publication a competitive marketplace for the Angus business.

Growth in the Angus breed is best reflected by the expanding size of the *Angus Journal*. At 821 pages, September 2000 marked the largest issue ever produced by the API staff. Nearly every issue throughout the year contained at least as many pages of advertising, editorial and sale books as in 1999.

The expanding issue size merited an increase in editorial staff. Brad Parker was promoted to associate editor, Lance Ziesch moved from a graphic artist position to a newly created position as editorial assistant, and Abra Ungeheuer was hired as an assistant to both the Editorial and the Web Marketing departments. The Young Guns Student Writers

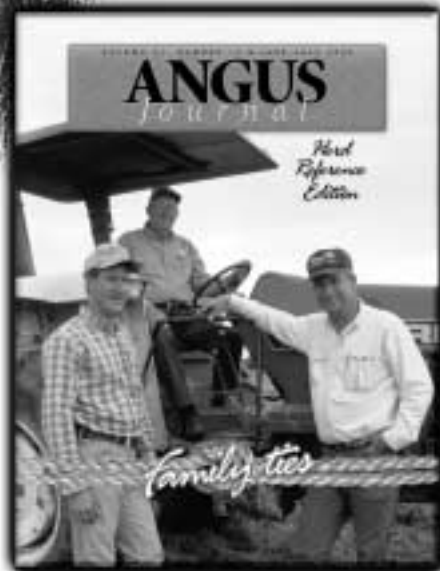
Program, which allows college students in agricultural journalism to write on a freelance basis for the magazine, also was established during the year. The program allows staff to develop relationships with the up-and-coming writers at major universities and to get a head start on employee recruitment.

The *Angus Journal* production team increased efficiency with a new production program called Bronco, written by the Association Information Systems Department. Bronco is used to page the magazine, as well as to streamline advertising recordkeeping.

Technology continues to change the way the magazine is produced. An entire step of the production process has been eliminated as electronic files go directly from compact disks to the printing plates in a process called "computer-to-plate" (CTP). This advance in pre-press and printing technology first was used in producing the January 2000 issue and is still in its infancy within the industry.

As the costs of paper and printing continue to

Angus families came to the forefront of the June-July 2000 Herd Reference Edition, which followed the theme "Family Ties." Association President Charles "Bud" Smith and his family were featured on the cover and serve as an example of the deep roots families grow in the Angus business.



rise, the API Board of Directors felt it necessary to approve an advertising-rate increase of approximately 11.5% across the board. The increase became effective with the September 2000 issue and is the first rate increase since 1989.

Making contact with commercial producers

Angus influence on the commercial beef business continues to grow. With more than 60% of the nation's commercial cow herd being Angus or Angus-influenced, communicating with nonmembers about the programs and services available from the American Angus Association is important.

The *Angus Beef Bulletin* serves as the breed's link 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.

Advertisers are realizing the value of promoting their herds in the *Bulletin*. With a readership of more than 72,000 commercial producers who use Angus genetics, the *Bulletin* hits the primary target audience for most registered Angus breeders.

Web Marketing services continue to grow

More Angus breeders are realizing the advantages of marketing on the Internet, and API is helping them make their mark on the Web. During its second year, the Web Marketing Department continued to design and to host breeder Web sites and to add new services.

Both purebred and commercial producers look to www.angusjournal.com, www.angusbeefbulletin.com and www.angusproductions.com for the latest news in the Angus breed.

More than 1 million producers visited www.angusjournal.com throughout the year, spending an average of nine minutes on the site. A popular link on all the API sites are breeder sale catalogs, the only Angus catalogs on the Internet searchable by sire name, EPDs and gender.

A new service in 2000 was "realistic-time" coverage of Angus shows and events. Users went to www.angusjournal.com for nearly immediate results and photos from Angus events across the nation, including the National Western Stock Show (NWSS), Western National Angus Futurity, Atlantic National Angus Show, National Junior Angus Show (NJAS), and the National Angus Conference and Tour. More than 175,000 users went to www.angusjournal.com for coverage of the NJAS, the Association's largest event.

Another service launched during the year was Angus e-Classifieds, a new marketing option that helps producers buy and sell livestock, machinery and real estate. On the site, breeders can list bulls, cows and pairs, heifers, embryos, semen, land, equipment, horses, dogs, and miscellaneous items for sale. There is also a listing for agricultural employment opportunities. The cost of a listing is economical and varies with the type of information posted.

Growth in the department resulted in the addition of three new staff members. In addition to Abra Ungeheuer (mentioned previously), Tanya Peebles, a former Angus junior from Virginia and graduate of Virginia Tech, also accepted a position as Web marketing assistant. Debbie Alexander, who worked as an advertising artist for four years, moved to the Web Marketing Department to design breeder Web sites.

For more information on Web marketing, refer to page 17.

Marketing tools for producers

The API Special Services Department continues to help breeders promote and market their herds with printed materials. Breeders called on the department to produce 124 sale books throughout the year. Of that total, 54 sale books were inserted or mailed with issues of the *Angus Journal*. Breeders who select the Special Services Department to produce their sale books receive the benefits of updated pedigrees and the most current expected progeny differences (EPDs) from the Association database, offering their customers the most accurate and up-to-date data available.

The department also tackles special projects for breeders, including brochures, special publications, and stall cards for shows and sales.



Angie Denton, director of Web marketing for Angus Productions Inc., (seated) demonstrates the features of a breeder Web site for attendees of the 2000 National Angus Conference and Tour in Lexington, Ky. The Web Marketing Department develops and maintains Web sites for individual breeders; local, state and regional Angus associations; and other industry-related businesses.

CAB Primes for Lasting Leadership

With 22 years leading branded beef sales, the *Certified Angus Beef*[™] (CAB[®]) brand continues to pioneer groundbreaking arenas in beef marketing. It's still the sales leader among consumers and the basis for Angus producers to market their product, but Certified Angus Beef LLC (CAB) has entered the areas of DNA technology, new consumer initiatives and production abroad.

December marked the announcement of a breakthrough in research for testing beef quality long before it reaches the dinner table. A partnership with Ohio State University's Agricultural Research and Development Center, the DNA-based test is highly accurate in predicting possible beef quality as soon as blood samples can be collected and analyzed. The assessment of marbling and tenderness potential will help feeders manage individual animals to maximize beef quality. DNA testing eventually could help ranchers guide breeding decisions toward a more consumer-focused calf crop as well.

The CAB brand could become top of mind with consumers as it joins the U.S. Olympic Team in Salt Lake City, Utah, in 2002. The brand stepped into the sports arena Feb. 2 as the Salt Lake Organizing Committee (SLOC) welcomed it as the Official Branded Beef Supplier of the 2002 Olympic Winter Games. The suppliership is a natural for the CAB brand with SLOC's dedication to providing an all-American experience to the Games, including the highest quality, best-tasting foods. CAB barbecue beef, frankfurters, pot roast and deli meats will be supplied to the Games. The suppliership tie to the U.S. Olympic Team takes the brand to the three U.S. Olympic Training Centers through 2004, and the frankfurters debuted at SLOC hospitality areas during the Sydney Games.

The brand went global with its first production outside the United States. CAB production began in Canada Sept. 25 at IBP in Brooks, Alberta, Canada. CAB looked to Canada for increased volume after developing assurance that the brand's quality standards would remain the same through third-party evaluation. Initial projections point to 7.3 million pounds (lb.) of production per year in Canada, which is 40% of the 17.9 million lb. sold there in fiscal year (FY) 2000. Canadian licensing reduces the need to transfer beef cattle and carcasses into the United States for CAB evaluation and shipment back into Canada as boxed beef, and it also satisfies consumer loyalty there for Canadian products.

Winning the dinnertime dash

The CAB brand continued satisfying consumers' needs for tender, juicy, flavorful beef in a flash and gained more ammunition for doing so. CAB heat-and-serve entrées claimed top honors in the National Cattlemen's Beef Association (NCBA) "Best New Beef Product 2000" competition. The CAB Quick-N-Easy[™] top sirloin steak in bourbon sauce by RMH Foods, Morton, Ill., took grand champion and "best new retail product" honors. Eaves Foods, Elberton, Ga., claimed "best new product by a small company" honors for its CAB BUBBA burger.[™] Barbecue beef by W&G Marketing, Ames, Iowa, and meat loaf by RMH Foods, both made with CAB cuts, were finalists in the retail and foodservice categories.

Billboards, advertising circulars, radio commercials and product samplings also brought the CAB brand to more consumers. The brand-building campaign debuted in Vancouver, British Columbia, its first international market, and resulted in a 3%



The NCBA "Best New Beef Products 2000" competition brought national acclaim to four CAB[®] entrées, including the grand-champion top sirloin steak in bourbon sauce for RMH Foods and "best new product by a small company" honors for Eaves Foods' CAB BUBBA burger.[™]

increase in unaided awareness of the CAB brand name. Vancouver saw the most comprehensive use of the campaign since it began in 1998, tying in area restaurants and a consumer event, the Vancouver Sun Run. More than 58 million people were touched by the brand's *Life Can't Have Too Much Flavor*® message.

In Boston, Saint Louis and Houston, the message took on a new twist. The headline "What Vegetarians Eat When They Cheat" aimed for the funny bone and featured a mouthwatering steak image. The tag line debuted in June on Boston billboards and in regional versions of monthly magazines, such as *Country Living*, *Bon Appétit* and *Classic American Home*. Saint Louis included the home-and-garden magazines, as well as regional newsmagazines.

Angus genetics demand premiums

The forces of supply and demand keep working to pay producers. The Industry Information Division's "Here's the Premium" nationwide, calf-price survey, which included data from 10 auction markets and more than 35,000 Angus feeder calves, showed a \$10-\$15/head advantage for Angus calves over other breeds. The highest per-carcass premium at the packer level was \$6/hundredweight (cwt.). According to several studies, the growing pot of several million dollars paid to producers in CAB premiums has had a continuous, positive effect on Angus cattle prices from seedstock through every phase of the cattle production system.

In the feedyard, the Feedlot Licensing Program (FLP) expanded to nearly twice as many yards at 60 total and a 600,000-head, one-time capacity across 15 states. The first annual Peak Performance conference, April 5-7 in Fort Collins, Colo., focused feedlot partners on quality-enhancing management and two-way information flow.

Even with growing use of ultrasound carcass trait evaluation, the Carcass Data Collection and Analysis Service continued to roll. For FY 2000, slightly more than 15,000 progeny went through the system, compared to 17,619 last year. Sire-identified cattle increased to a record high of 5,600, compared to 4,885 for FY 1999. The acceptance rate fell back in keeping with national trends, but sire-identified cattle managed a 29% rate, far exceeding the 18.4% national average for the year.

Pounds per head at all-time high

More pounds of beef per certified carcass were sold this year, reaching an all-time high of 286.5 lb./head. Value-added product popularity, increasing ground beef sales, and innovative uses for less common cuts in retail and foodservice outlets led the expansion toward the maximum potential of 450 lb./head.

The brand's 26 lb./head increase over the 1999 total helped overall brand sales reach 565 million lb., a 15% increase over last year. The pounds-per-head growth also eased a diminished acceptance rate. The national average acceptance rate dropped 1.6 percentage points to 18.4% this year. That's because extremely high beef demand led cattle to market earlier than expected and extreme temperatures in the Midwest assisted in reducing performance levels. The number of Angus-type cattle selected for CAB evaluation climbed 1 million head to 10.5 million. The number certified remained steady at 1.92 million head.

The International Division set the pace for sales growth, increasing 24% to 84 million lb. End meats accounted for 84% of international sales, providing an avenue for increased carcass use. In retail, sales topped 306 million lb., a 10% increase. Foodservice saw an 18% increase to 165 million lb.

The number of grocery stores offering the brand reached 4,099, which was 778 more than last year. Restaurants experienced a net gain of 1,309 new accounts, bringing the total to 3,939. Of these licensees, 686 were international stores, and 439 were international restaurants.

Internationally, 250 new stores began offering the CAB brand this year. All but 25 were in Japan. Increased trade-level demand led more retailers and consumers to the brand. Seiyu, the country's sixth-largest department store, features the CAB brand in 124 of its 190 stores nationwide. The brand's success continues despite traditional consumer preference for well-marbled, domestic Wagyu beef.

CAB's phenomenal growth led to its reorganization as a limited-liability company (LLC) to better position it for long-term growth and stability.



A mouthwatering steak photograph and new tag line aimed at the funny bone steered consumers to the CAB brand through regional magazine ads, billboards, retail advertising circulars, radio commercials and product samplings.

Angus Auxiliary Supports the Breed and Its Youth

2000 American Angus Auxiliary Scholarship Winners

Girls

1. Lacey Robinson, Montgomery City, Mo.
2. Gina McCurry, Sedgwick, Kan.
3. Mercedes Danekas, Wilton, Calif.
4. Naomi Gray, Harrison, Neb.
5. Ashley Grote, Forney, Texas

Boys

1. John McCurry, Burrton, Kan.
2. Gregory Meier, Jackson, Mo.
3. Cody Quam, Lodi, Wis.
4. Brit Boehmer, Williamston, Mich.
5. Christopher Rosa, Chariton, Iowa

For years the American Angus Auxiliary has offered a helping hand of support to the National Junior Angus Association (NJAA) and the Angus breed. Founded in 1952, the Auxiliary was developed 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 across

the nation. This hard-working group of Angus enthusiasts stays busy behind the scenes to make Angus activities the best they can be.

The American Angus Auxiliary conducts its Annual Meeting each November during the North American International Livestock Exposition (NAILE) in Louisville, Ky., where officers are elected and business is done for the coming year. The group meets as a whole, works in committees to conduct business, and hosts a breakfast where members and youth are honored. The breakfast is always a highlight of the events in Louisville, attracting all ages and genders.

Each year the Auxiliary awards scholarships to five male and five female NJAA members who are high-school graduates entering their first year of college.

When the program started in 1956, three scholarships were awarded, and only girls were eligible to receive them. But in 1969 the number of scholarships increased to 10, and boys became eligible.

The top five girls in scholarship competition earn the right to compete for the title of Miss American Angus in Louisville. The first Miss American Angus, Sharon (Harrold) Sommers of Indiana, was crowned in 1968 in Chicago. Miss American Angus serves as an ambassador for the Angus breed and Angus youth, attending shows, sales and events throughout the country during her reign.

The Auxiliary-sponsored All-American *Certified Angus Beef*™ Cook-Off has been a project of the Auxiliary since 1983. Conducted each year with the National Junior Angus Show (NJAS), the Cook-Off pits state against state in competition for best recipe, showmanship and overall winner. In 2000, 41 junior, senior and adult teams competed for top honors.

Another activity of the Auxiliary that promotes the education and enrichment of Angus youth is the National Junior Angus Showmanship Contest. The Auxiliary has sponsored awards for the top five winners at this event since its beginning in 1967. Conducted each year with the NJAS, the contest is one of the most memorable experiences in which junior Angus members participate.



Whitney Trosper, Hamilton, Mo., was crowned the 2000 Miss American Angus. The American Angus Auxiliary coordinates the Miss American Angus contest each year at the North American International Livestock Exposition in Louisville, Ky. Trosper is the daughter of Steve and Sandy Trosper.



The American Angus Auxiliary officer team for 2000 includes (front row) Jane Ebert, vice president; (back row, from left) Yvonne Hinman, president; Pat Grote, secretary-treasurer; and Mary McCurry, advisor.

Consolidated Financial Statements

Independent Auditor's Report

Board of Directors
American Angus Association
St. Joseph, Missouri

We have audited the accompanying consolidated statements of financial position of American Angus Association and its subsidiaries as of September 30, 2000 and 1999, and the related consolidated statements of activities and change 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 generally accepted auditing standards. Those standards require that we plan and perform the audit 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, 2000 and 1999, and the results of their activities and their cash flows for the years then ended in conformity with generally accepted accounting principles.

St. Joseph, Missouri
October 18, 2000

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION September 30, 2000 and 1999

	ASSETS	
	2000	1999
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,382,853	\$ 945,967
Accounts receivable	2,174,329	1,742,918
Interest receivable	75,345	61,217
Inventories	382,395	546,388
Prepaid expenses	256,235	218,027
Prepaid income taxes	—	22,045
Total current assets	<u>4,271,157</u>	<u>3,536,562</u>
INVESTMENTS	<u>10,811,858</u>	<u>8,856,820</u>
PROPERTY AND EQUIPMENT		
Buildings and land improvements	3,337,927	3,337,927
Furniture, fixtures and equipment	2,177,400	2,082,518
Electronic data processing equipment	<u>4,577,859</u>	<u>4,318,106</u>
Total, at cost	10,093,186	9,738,551
Less accumulated depreciation	<u>4,604,098</u>	<u>3,968,871</u>
Total property and equipment	<u>5,489,088</u>	<u>5,769,680</u>
OTHER ASSETS	<u>3,858</u>	<u>15,486</u>
TOTAL ASSETS	<u>\$20,575,961</u>	<u>\$18,178,548</u>
LIABILITIES AND NET ASSETS		
	2000	1999
CURRENT LIABILITIES		
Accounts payable	\$ 739,808	\$ 771,061
Current maturities of notes payable to bank	91,878	99,001
Accrued liabilities	361,494	313,288
Income taxes payable	3,732	—
Deferred income	<u>338,946</u>	<u>361,534</u>
Total current liabilities	<u>1,535,858</u>	<u>1,544,884</u>
LONG-TERM LIABILITIES		
Notes payable to bank, less current maturities above	947,682	1,022,884
Accrued Olympic sponsorship	343,983	—
Deferred compensation	<u>355,095</u>	<u>315,196</u>
Total long-term liabilities	<u>1,646,760</u>	<u>1,338,080</u>
Total liabilities	<u>3,182,618</u>	<u>2,882,964</u>
NET ASSETS		
Unrestricted	17,383,343	15,285,584
Permanently restricted	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>17,393,343</u>	<u>15,295,584</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$20,575,961</u>	<u>\$18,178,548</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 September 30, 2000 and 1999

	2000	1999
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, gains and other support:		
Royalties	\$11,212,862	\$10,087,692
Advertising income	3,741,417	3,452,174
Registrations	3,237,645	3,097,664
Transfers	951,342	847,692
Artificial insemination certificates	1,097,323	1,023,547
Memberships	218,931	215,068
Performance programs	931,547	580,563
Web site revenue	128,431	26,445
Subscriptions	711,479	689,466
Contributions	106,456	78,624
Account and merchandise sales	658,607	660,526
Other income	217,985	183,481
Investment income	1,387,949	1,033,056
Total revenues, gains and other support	<u>24,601,974</u>	<u>21,975,998</u>
EXPENSES		
Program Services:		
Certified Angus Beef LLC	11,073,273	10,228,401
Angus Productions Inc.	4,441,034	4,049,021
Office services	1,882,448	1,632,702
Angus Information Management	461,262	461,950
Performance programs	1,393,710	1,306,095
Commercial relations	182,105	92,504
Communications and public relations	1,305,105	1,235,056
Field services	711,759	567,902
Activities	1,068,796	1,030,611
Angus Foundation	119,040	60,054
Total expenses	<u>22,638,532</u>	<u>20,664,296</u>
Change in net assets before net unrealized gains on investments and income taxes	1,963,442	1,311,702
NET UNREALIZED GAINS ON INVESTMENTS	<u>143,809</u>	<u>291,174</u>
Change in net assets before income taxes	2,107,251	1,602,876
PROVISION FOR INCOME TAXES	<u>9,492</u>	<u>3,715</u>
INCREASE IN UNRESTRICTED NET ASSETS	2,097,759	1,599,161
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	<u>—</u>	<u>—</u>
INCREASE IN NET ASSETS	2,097,759	1,599,161
NET ASSETS, BEGINNING OF YEAR	<u>15,295,584</u>	<u>13,696,423</u>
NET ASSETS, END OF YEAR	<u>\$17,393,343</u>	<u>\$15,295,584</u>

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS Years Ended September 30, 2000 and 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$2,097,759	\$ 1,599,161
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	803,797	696,877
Amortization	11,628	31,474
(Gain) loss on sale of equipment	3,275	(1,454)
Net realized gain on sale of investments	(986,587)	(677,661)
Net unrealized gain on investments	(143,809)	(291,174)
Net effect of changes in operating assets and liabilities:		
Accounts and interest receivable	(445,539)	(208,256)
Accounts payable	(31,253)	(801,824)
Inventories	163,993	(26,238)
Prepaid expenses	(38,208)	(75,566)
Prepaid income taxes	22,045	(17,735)
Accrued liabilities, deferred income and deferred compensation	409,500	160,927
Income taxes payable	<u>3,732</u>	<u>—</u>
Net cash provided by operating activities	<u>1,870,333</u>	<u>388,531</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	12,200	27,196
Proceeds from sale of investments	1,874,086	3,055,032
Purchases of property, equipment and other assets	(538,680)	(1,015,156)
Purchases of investments	<u>(2,698,728)</u>	<u>(2,521,897)</u>
Net cash used in investing activities	<u>(1,351,122)</u>	<u>(454,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(82,325)</u>	<u>(519,828)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	436,886	(586,122)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>945,967</u>	<u>1,532,089</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,382,853</u>	<u>\$ 945,967</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 September 30, 2000 and 1999

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 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 the Angus Foundation and Certified Angus Beef LLC. The Association has controlling financial interest in both Foundation and Certified Angus Beef LLC, including a majority voting interest in their Board 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 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 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 are 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.

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 September 30, 2000 and 1999

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.

Office Services

The Office 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 September 30, 2000 and 1999

NOTE 1- INVESTMENTS

The following is a summary of investments held at September 30, 2000 and 1999.

	<u>2000</u>	<u>1999</u>
U.S. government and other governmental agency securities	\$ 5,161,222	\$3,817,757
Mutual funds	597,750	422,456
Equity securities	4,760,887	3,995,158
Certificates of deposit	110,000	480,651
Money market accounts	<u>181,999</u>	<u>140,798</u>
Total investments	<u>\$10,811,858</u>	<u>\$8,856,820</u>

Investment returns for the years ended September 30, 2000 and 1999, consist of the following:

	<u>2000</u>	<u>1999</u>
Investment income	\$ 448,446	\$ 396,251
Net realized gains	986,587	677,661
Net unrealized gains	143,809	291,174
Management fees	<u>(47,084)</u>	<u>(40,856)</u>
Total investment return	<u>\$ 1,531,758</u>	<u>\$1,324,230</u>

NOTE 2- PENSION AND 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 2000 and 1999, the Association contributed \$405,106 and \$348,161, 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. There are no employer contributions to the 401(k) plan.

The Association has deferred compensation plans for several key employees. Under these plans, the participants may elect to defer receipt of the lesser of \$7,500 or 33 $\frac{1}{3}$ % of their annual compensation. 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, participants have the option to be paid their account no later than one-hundred-and-twenty days after the end of the plan year or payment in equal annual installments, the last of which installments shall be no later than five years.

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 \$7,500 for both the years ended September 30, 2000 and 1999. 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 \$355,095 in 2000 and \$315,196 in 1999.

NOTE 3- NOTES PAYABLE TO BANK

Notes payable to bank consist of the following:

	<u>2000</u>	<u>1999</u>
Note payable to bank, requiring monthly installments of \$14,331, including interest at 1.475 points below the prime lending rate (8.025% at September 30, 2000), with a final estimated payment of \$637,876 due August 5, 2004, secured by investments totaling \$1,297,928.	\$ 1,039,560	\$1,121,885
Less current portion	<u>91,878</u>	<u>99,001</u>
Long-term portion	<u>\$ 947,682</u>	<u>\$ 1,022,884</u>

Future maturities of long-term debt are as follows:

2001	\$ 91,878
2002	99,528
2003	107,816
2004	<u>740,338</u>
Total	<u>\$ 1,039,560</u>

Total interest expense was \$75,317 and \$97,083 in 2000 and 1999, respectively.

NOTE 4- PROVISION FOR INCOME TAXES

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

	<u>2000</u>	<u>1999</u>
Federal income tax	\$6,727	\$2,633
State income tax	<u>2,765</u>	<u>1,082</u>
Total provision for income taxes	<u>\$9,492</u>	<u>\$3,715</u>

Consolidated Financial Statements

AMERICAN ANGUS ASSOCIATION AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS September 30, 2000 and 1999

NOTE 5—BOARD DESIGNATED AND PERMANENT RESTRICTIONS

Included in unrestricted net assets are Board designations for future research projects for improvement of the Angus breed of \$199,719 for both 2000 and 1999, and designations for youth and education programs of \$142,893 in 2000 and \$123,842 in 1999.

Permanently restricted net assets represent an endowment totaling \$10,000 for both 2000 and 1999, 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 in 2000 and 1999 represented 33% and 32%, respectively, of the Association's total revenues, gain and other support.

NOTE 7—GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were \$3,090,398 and \$2,654,506 in 2000 and 1999, 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, 2000 and 1999 totaled \$2,887,280 and \$2,600,265 respectively.

NOTE 9—SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest was \$75,317 and \$97,083 in 2000 and 1999, respectively. Cash paid for income taxes was \$0 and \$21,450 in 2000 and 1999, respectively.

NOTE 10—YEAR 2000 COMMITMENT

Certified Angus Beef LLC is the Official Branded Beef Supplier of the 2002 Winter Olympic Games and a team supplier through 2004. In consideration of this sponsorship, Certified Angus Beef LLC has committed to the Olympic Properties of the United States—Salt Lake 2002, L.L.C. \$1,000,000 in cash and \$2,000,000 in value-in-kind product.

The cash commitment required \$350,000 to be paid during the current fiscal year. This amount was expensed as a program service. The remaining future payments are as follows:

2001	\$400,000
2002	250,000
Total	<u>\$650,000</u>

To fulfill the value-in-kind commitment, Certified Angus Beef LLC obtained approval from certain meat packing companies and manufacturers/processors to accrue instead of paying their quarterly fees and rebates on product royalties. When the product is delivered all costs will be paid from the accrued fees and rebates. This accrued liability is presented as a long-term liability as a majority of the product will not be delivered until the winter of 2002.

NOTE 11—RESTRUCTURING

Certified Angus Beef operated as a division of American Angus Association in 1999. In March 2000, Certified Angus Beef LLC was formed, and the assets and liabilities of this division were transferred to the limited liability company at cost. Certified Angus Beef LLC is consolidated with the Association in these consolidated financial statements.

NOTE 12—RECLASSIFICATIONS

Certain reclassifications of prior year's amounts have been made to conform to the presentation adopted for 2000. These reclassifications had no effect on previously reported changes in net assets.

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