ALPACA Owners Association Inc

2015 Annual Report



President's Message



Dear AOA Members,

I am pleased to report that 2015 was a very successful year for AOA in many ways, and I am very proud of what was accomplished in our first full year after merger transition. The reduced overhead resulting from merger, coupled with the release of the new AOA online software system, set the stage for success in 2015. In spite of a very tight budget, we were able to expand our products and services, while cutting expenses significantly compared to 2014. As a result, we ended the year slightly above budget and realized a small profit at the end of the year before depreciation and amortization.

We made several changes to our marketing programs including increased emphasis on alpaca products, and as a result, we more than doubled the purchases of member marketing packages and farm listings in the *Alpaca Owners Guide*, and we more than doubled farm participation in National Alpaca Farm Days. We released our new *Inside the Alpaca Industry* video, an introduction to alpacas and the alpaca industry. We have received positive feedback on this free marketing tool, which has been widely used by our members. We saw far more participation in the new organization as evidenced by the number of candidates running for the Board, a huge number of members interested in serving on AOA committees, and more than triple the number of benefactors as compared to the previous year. We really appreciate all of the support that we have received from our members!

We had an extremely successful AOA National Show and Auction in Grand Island, Nebraska, where we heard many attendees say it was the best national show they had ever attended. Everyone who attended the sold-out Gala Dinner had a great time, and the show realized a profit, which has been difficult to do in recent years. I credit the hard work and long hours put in by the staff for the financial success of the show, as they not only organized the show, they saved AOA thousands of dollars by also taking on the design, development, and printing of the national show book, the national auction book, and the online herdsire catalog.

In June, we held the first ever AOA National Fleece Conference in Denver, Colorado, and this event was also a huge success! It provided great educational seminars and featured Timo Weiland, a New York fashion designer, as our keynote speaker! We had almost 550 entries in the National Fleece Show, making it one of the largest fleece shows in many years, and attendees really enjoyed seeing live video of the fleece judging. Based on the positive feedback we received, we made the decision to move forward with planning a similar event for 2016.

In 2015 we expected to see a small decline in revenue from registrations, transfers, and show participation, and budgeted as such. I am pleased to report that we were very close to our budget projections for registration and transfer income, but show system income exceeded our budget projections by 10%. We are very proud that we continue to provide the world's largest and most accurate DNA based pedigree registry, and the world's largest and most respected alpaca show and judge training system! We also saw growing interest in the AOA Expected Progeny Differences (EPD) program which had nearly 70,000 alpacas with EPDs by the end of the year.

In June we released the AOA Strategic Plan for 2015 – 2018. Strategic planning was selected as the ideal process to develop a path forward for the organization based on the needs of our members, and I thank the hundreds of members involved in the process, and especially those who attended the strategic planning retreat. We also updated our core values and developed a mission statement which clearly identifies why AOA exists, to "Serve all Alpaca Owners Association members to facilitate their success within the alpaca industry." This is what we, as board members, keep at the forefront as we strive to make decisions that are in the best interest of the organization and all of our members. The Strategic Plan has six target goals, and each goal has a number of strategies that have been prioritized and further defined. As these are accomplished, we should move closer to achieving our Vision: "A recognized and sustainable North American alpaca industry for alpaca owners, alpaca breeders, and those who design, produce, and sell alpaca related products and services."

We have talented and dedicated volunteers that serve on our committees and board, and I thank every one of them for the many hours of service they provide in support of AOA, our members and the alpaca industry. We also have very hard working, dedicated and caring staff led by our outstanding Executive Director, Darby Vannier, and I can't thank them enough for all they do. The board and staff remain committed to finding ways to provide the highest level of service at the lowest cost possible for the benefit of our members. We want AOA to help you be successful in your alpaca business, and I hope you will give us your support and your feedback to ensure we are able to do just that!

Sincerely,

Bonnie B. Potter
President

Executive Director's Message



Dear AOA Members,

2015 seems like so long ago! From an operational stand point, 2015 was all about refining process. Having come off a very busy and long merger transition in 2014, it was important to establish a level of normalcy to the business of the AOA office. We spent a good deal of time talking about why things are the way they are and making changes where it made sense. The AOA team also spent a good deal of time focusing on communicating with members. We increased our level of phone and email follow-up. While we have always focused on notifying you about your alpaca registrations and transfers, 2015 brought an increase in communication about your memberships, the various options you have on the website, and opportunities for your farm to get yourself seen and participate more effectively in the industry.

Having just launched AOA's new online software system in December of 2014, the AOA team spent the first three months of 2015 completing the remaining tasks to bring that project to completion. This required a great deal of hours of planning and testing for the staff and ultimately resulted in an online system that has proven extraordinarily effective. I truly appreciate the numerous extra hours that my coworkers put in to ensure that success.

The new software offers paid members access to more information than ever before. Members can access basic information about every registered alpaca, see parentage, siblings, and full pedigrees. In addition, for those with Expected Progeny Differences (EPDs) and show results, those are prominently displayed on each alpaca's page. Merging the AOBA show results with the ARI database to create the new AOA system allowed our team to cross-reference data, which ensures the most accurate show results available anywhere in the industry.

The new membership renewal process made it easy for members to pick and choose which options they want to take advantage of, and puts everything right at their fingertips. This is part of the reason we saw an increase in participation in the benefactor program, member marketing program, *Alpaca Owners Guide* advertising, National Alpaca Farm Days participation, and many more areas. The new system has truly helped AOA, its members, and the industry become more successful.

In March, we held the first national show completely planned by the newly created AOA staff in Grand Island, Nebraska. With a renewed focus on having some fun, many changes were made to the schedule. From the Waffleman to Spike Blake's dueling pianos, it was a spectacular weekend and an extremely successful show.

Once the team recovered from the national show, it was on to completing the process for AOA's first ever Board of Directors election and completing the planning for the 2016 AOA National Fleece Conference.

In a bold new experiment, 2015 marked the first time that the national fleece show had been separated from the national halter show. The inaugural AOA National Fleece Conference was held in Denver, Colorado, and encompassed not only one of the largest fleece shows in recent history, but also a weekend packed full of education, primarily focused on alpaca fleece. The event, which also included the AOA Annual Meeting, was a massive success!

We closed out the year with National Alpaca Farm Days, the release of the 2015 *Alpaca Owners Guide*, and a successful year for *Alpacas Magazine.* We increased the number of issues of *Alpacas Magazine* from 3 to 4 per year and provided online access to the magazine for Registry Members, both were well received and resulted in an increase in advertising revenue.

There were of course many other things that the AOA office completed throughout the year. A few of these items included two successful judge training clinics, attendance at a couple of certified shows, process and planning improvement, and staff cross-training.

While there are always things that I would like to see improved, it was a highly successful year. Having been AOA's first "normal" business year, this helped put the organization on a path to future success.

Sincerely,



Darby A. Vannier, MBA
Executive Director

AOA Staff & Contact Information

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Darby Vannier
Executive Director



Margie Ault
Show & Marketing Division Administrator



Andrea Harrington
Conference Manager



Dan Huntley
Customer Service Manager



De Monson
IT Manager



Jo Ashley
Registration Specialist



Becky Farley
Member Marketing Coordinator



Lisa Haas
Account Specialist



Marie Schlater
External Business and Lab Specialist



Linda Spilker
Transfers Specialist

2015 Audited Financials

HBE
Becker Meyer Love LLP
Certified Public Accountants & Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Alpaca Owners Association, Inc. and Subsidiary
Lincoln, Nebraska

We have audited the accompanying consolidated financial statements of Alpaca Owners Association, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2015 Audited Financials

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alpaca Owners Association, Inc. and Subsidiary as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Becker Meyer Love LLP
Certified Public Accountants & Consultants

HBE Becker Meyer Love LLP

April 11, 2016

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2015	2014 (as restated)
CURRENT ASSETS		
Cash and cash equivalents (note A)	$ 258,121	$ 450,794
Certificates of deposit	949,140	848,757
Accounts receivable (note A)	28,762	2,685
Prepaid expenses	7,000	13,488
Total current assets	1,243,023	1,315,724
PROPERTY AND EQUIPMENT (notes A and B)	16,572	12,748
OTHER ASSETS		
Association software costs, less accumulated amortization of $1,095,700 (2015) and $976,301 (2014) (notes A and C)	361,648	399,844
Deposits	3,490	3,490
Total other assets	365,138	403,334
Total assets	$ 1,624,733	$ 1,731,806

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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 46,762	$ 42,669
Accrued payroll	6,593	3,800
Accrued vacation (note A)	32,345	32,345
Deferred revenue (note A)	122,977	119,647
Total current liabilities	208,677	198,461
NET ASSETS (note A)		
Unrestricted	1,416,056	1,533,345
Total liabilities and net assets	$ 1,624,733	$ 1,731,806

See accompanying notes to financial statements.

2015 Audited Financials

Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

	2015	2014 (as restated)
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
Registry income	$ 775,978	$ 832,153
National show	248,547	332,193
Show system	179,069	186,462
Member marketing	39,202	65,604
Membership and voting rights	204,515	242,470
Product income	66,988	59,341
Other member services	92,761	73,378
Other business income	601	7,777
Advertising income	149,747	157,972
Interest	8,097	3,977
Total revenue	1,765,505	1,961,327
EXPENSES (note D)		
Program services		
DNA testing and registration services	395,430	441,425
National show	210,586	276,991
Show system	175,166	204,886
Products	804	5,715
Other member services	267,472	242,556
Other AOA	23,128	83,081
Publication service	117,874	196,510
Total program services	1,190,460	1,451,164
Management and general		
Management and general before depreciation and amortization	568,162	828,673
Depreciation and amortization	124,172	174,911
Total management and general	692,334	1,003,584
Total expenses	1,882,794	2,454,748
Change in net assets before change related to acquisition	(117,289)	(493,421)
Contribution received in acquisition	-	684,702
INCREASE (DECREASE) IN NET ASSETS	(117,289)	191,281
Net assets as beginning of year	1,533,345	1,342,064
Net assets at end of year	$ 1,416,056	$ 1,533,345

See accompanying notes to financial statements.

Becker Meyer Love LLP
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Alpaca Owners Association, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2015	2014 (as restated)
Cash flows from operating activities		
Cash received from members	$ 1,638,570	$ 1,951,056
Cash paid to suppliers and employees	(1,741,917)	(2,222,657)
Miscellaneous services income	92,761	73,378
Investment income	7,714	72
Net cash used by operating activities	(2,872)	(198,151)
Cash flows from investing activities		
Purchases of certificates of deposit	(300,000)	(650,000)
Proceeds from maturity or sale of certificates of deposit	200,000	554,664
Contribution received in acquisition	-	684,702
Purchase of equipment	(8,598)	(41,318)
Purchase of association software	(81,203)	(247,380)
Proceeds from sale of equipment	-	7,504
Net cash provided (used) by investing activities	(189,801)	308,172
Net increase (decrease) in cash and cash equivalents	(192,673)	110,021
Cash and cash equivalents at beginning of year	450,794	340,773
Cash and cash equivalents at end of year	$ 258,121	$ 450,794
Reconciliation of increase (decrease) in net assets to net cash used by operating activities		
Increase (decrease) in net assets	$ (117,289)	$ 191,281
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities		
Depreciation	4,774	22,282
Amortization	119,399	152,629
Loss on sale of assets	-	66,628
Reinvested interest	(383)	(3,905)
Contribution received in acquisition	-	(684,702)
(Increase) decrease in assets		
Receivables	(26,077)	456
Prepaid expenses	6,488	(11,063)
Deposits	-	(3,490)
Increase (decrease) in liabilities		
Accounts payable	4,093	(21,047)
Accrued payroll	2,793	3,800
Accrued vacation	-	11,449
Accrued expenses	-	(16,399)
Deferred revenue	3,330	93,930
Total adjusment to increase (decrease) in net assets	114,417	(389,432)
Net cash used by operating activities	$ (2,872)	$ (198,151)

See accompanying notes to financial statements.

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AOA 2016 Budget

2016 Budget

	TOTAL Jan – Dec 16
Ordinary Income/Expense	
Income	
Registry Income	$725,435
National Conferences Income	$279,565
Show System Income	$174,147
Advertising Income	$141,546
Product Income	$59,802
Member Marketing Income	$29,915
Benefactor Income	$31,830
Student Design Income	$6,550
Membership Income	$195,381
Other Income	$74,203
Total Income	**$1,718,374**
Expense	
Registry Expense	$188,506
National Conferences Expense	$210,801
Judges Clinic Expenses	$44,130
Other Conference Expense	$8,000
Board Expense	$12,600
Insurance Expense	$14,500
Alpacas Magazine Expense	$96,800
Accounting Fees	$12,500
Legal Fees	$30,000
Marketing & PR Expense	$84,000
Student Design Expense	$8,000
AOG Expense	$10,000
Printing	$24,000
Mailing & Shipping	$33,498
Technology Services	$138,000
Employee Expense	$644,682
Building Expense	$92,204
Bank Service Fees	$37,340
Equipment Expense	$9,000
Other Expenses	$17,450
Total Expense	**$1,716,011**
Net Ordinary Income	**$2,363**
Depreciation & Amortization Expense	123,900
Income After Depr & Amort	$(121,537)

ACTIVE AOA Accounts
United States

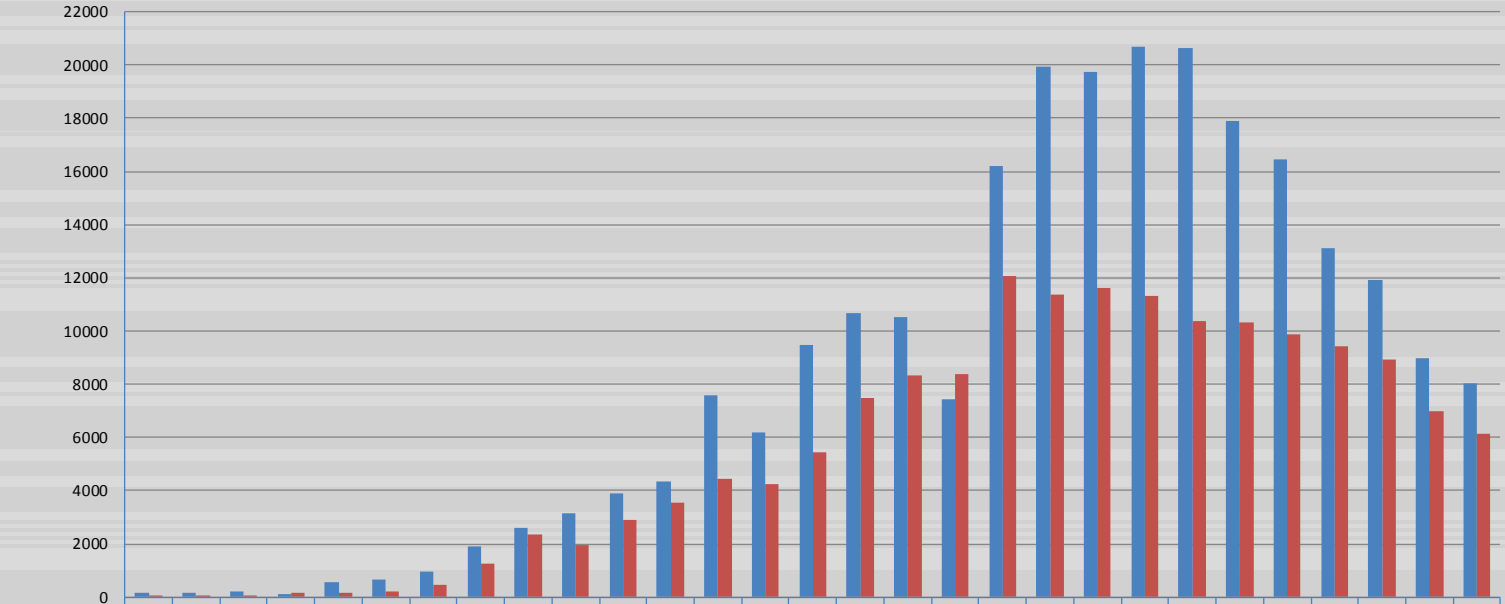
State	# of Accounts	State	# of Accounts
Alabama	78	Nebraska	130
Alaska	53	Nevada	91
Arizona	256	New Hampshire	134
Arkansas	54	New Jersey	242
California	1,061	New Mexico	189
Colorado	981	New York	712
Connecticut	152	North Carolina	323
Delaware	34	North Dakota	16
District of Columbia	2	Ohio	1,099
Florida	390	Oklahoma	132
Georgia	238	Oregon	598
Hawaii	11	Pennsylvania	769
Idaho	187	Puerto Rico	1
Illinois	361	Rhode Island	33
Indiana	362	South Carolina	116
Iowa	144	South Dakota	27
Kansas	163	Tennessee	228
Kentucky	236	Texas	509
Louisiana	21	Utah	139
Maine	192	Vermont	167
Maryland	245	Virginia	533
Massachusetts	197	Washington	793
Michigan	600	West Virginia	108
Minnesota	270	Wisconsin	430
Mississippi	36	Wyoming	73
Missouri	308	Unknown	106
Montana	124		

ACTIVE AOA Accounts
Canada

Province	# of Accounts
Alberta	182
British Columbia	119
Manitoba	33
New Brunswick	9
Newfoundland	3
Northwest Territories	1
Nova Scotia	23
Ontario	164
Prince Edward Island	4
Quebec	146
Saskatchewan	78
Yukon Territory	2
Unknown	14

AOA Statistics

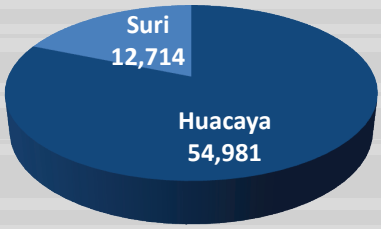
Total Registrations and Transfers by Year



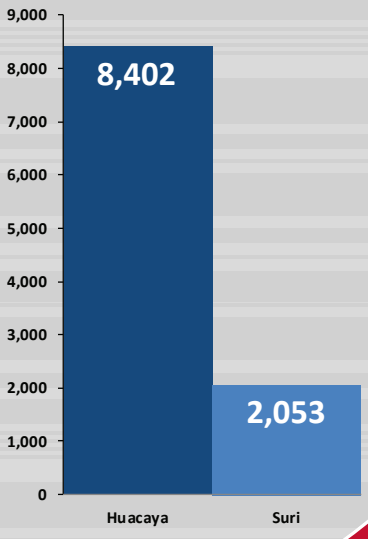
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Registrations	148	181	202	90	543	644	978	1886	2617	3141	3893	4367	7561	6205	9477	10670	10502	7441	16183	19923	19760	20679	20645	17885	16478	13121	11937	8966	8036
Transfers	6	7	80	150	163	230	442	1244	2361	1949	2881	3553	4468	4259	5418	7503	8328	8379	12078	11382	11635	11345	10363	10333	9883	9419	8946	7001	6145

Note: Because there is up to a 4 year lag in transfer submission due to purchasing on time and buyer submissions, the 2015 number is currently 6,145.

Number of Alpacas with EPDs by Breed



Number of Accounts Participating in EPDs by Breed



Number of Data Points (Observations) by Trait, by Breed

	Huacaya		Suri	
Trait Name	**Observations**	**Average**	**Observations**	**Average**
Average Fiber Diameter (microns-µ)	23,052	23.4	4,302	26.4
Standard Deviation (AFD; µ)	23,050	5.0	4,296	6.1
Spin Fineness (µ)	23,051	22.8	4,301	26.3
Percent of Fibers larger than 30 microns	23,051	12.8	4,254	24.9
Fleece Weight	22,379	6.1	4,423	5.5
Mean Curvature (deg/mm)	22,013	38.3	4,187	10.8
Standard Deviation of Curvature	22,011	23.2	4,187	13.7
Percent Medullation	10,278	16.3	1,817	15.8
Mean Staple Length (mm)	21,091	90.5	4,075	148.8
Birth Weight	11,725	16.6	2,849	17.4

ALPACA Owners Association Inc

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