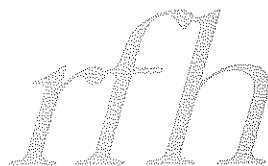


**NATIONAL ASSOCIATION OF
AGRICULTURAL EDUCATORS, INC.
Lexington, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2009 and 2008**

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Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA
Jerry W. Hensley, CPA

INDEPENDENT AUDITORS' REPORT

J. Carroll Luby, CPA

To The Board of Trustees of
National Association of Agricultural Educators, Inc.
Lexington, Kentucky

We have audited the accompanying statements of financial position of National Association of Agricultural Educators, Inc. (a non-profit organization) as of June 30, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 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 financial statements referred to above present fairly, in all material respects, the financial position of National Association of Agricultural Educators, Inc. as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The supplementary information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the above financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements referred to above, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 5, 2009

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NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30,

ASSETS	2009	2008
Cash	\$ 51,262	\$ 73,022
Investments	455,728	549,402
Accounts receivable	68,794	62,608
Inventory	5,000	5,000
Prepaid expenses	10,691	19,792
Property and equipment, net of accumulated depreciation	<u>11,194</u>	<u>15,192</u>
 Total Assets	 <u>\$ 602,669</u>	 <u>\$ 725,016</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 18,047	\$ 18,664
Accrued expenses	<u>26,618</u>	<u>25,766</u>
 Total Liabilities	 <u>44,665</u>	 <u>44,430</u>
Net Assets		
Unrestricted		
Current operations	439,776	565,378
Board designated for special purposes	117,068	115,208
Temporarily Restricted	<u>1,160</u>	<u>-</u>
 Total Net Assets	 <u>558,004</u>	 <u>680,586</u>
 Total Liabilities and Net Assets	 <u>\$ 602,669</u>	 <u>\$ 725,016</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENTS OF ACTIVITIES
for the years ended June 30,

UNRESTRICTED NET ASSETS	2009	2008
Support		
Membership dues	\$ 417,922	\$ 420,170
Lifetime membership dues	1,860	9,020
Convention registration	77,051	105,215
FFA Foundation projects	137,652	162,101
Auction proceeds	2,146	1,811
Sponsorship and awards	39,200	51,825
Merchandise sales (net of costs)	752	515
Management fees	6,332	21,761
Teacher Crisis fund	1,681	1,307
Convention workshop	1,215	-
Net realized losses on securities	-	(42,718)
Net unrealized losses on securities	(123,524)	(23,046)
Interest and dividends	9,965	42,295
Other income	<u>31,312</u>	<u>5,021</u>
 Total Unrestricted Support	 603,564	 755,277
Net Assets Released from Restrictions	<u>-</u>	<u>3,713</u>
 Total Unrestricted Support and Reclassifications	 <u>603,564</u>	 <u>758,990</u>
 Expenses		
General expenses	514,675	481,537
Convention	57,602	69,322
FFA Foundation projects	<u>155,029</u>	<u>162,101</u>
 Total Expenses	 <u>727,306</u>	 <u>712,960</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 <u>(123,742)</u>	 <u>46,030</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions (legislative)	1,160	730
Net Assets Released from Restriction	<u>-</u>	<u>(3,713)</u>
 INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	 <u>1,160</u>	 <u>(2,983)</u>
 INCREASE IN NET ASSETS	 (122,582)	 43,047
Net assets, beginning of year	<u>680,586</u>	<u>637,539</u>
 NET ASSETS, END OF YEAR	 <u>\$ 558,004</u>	 <u>\$ 680,586</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENTS OF CASH FLOWS
for the years ended June 30,

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (122,582)	\$ 43,047
Adjustment to reconcile change in net assets to Net cash provided by operating activities:		
Depreciation	6,654	5,704
Unrealized losses on investments	123,524	23,046
Realized losses on investments		42,718
Interest and dividends on investments	(9,815)	(40,832)
(Increase) Decrease in Operating Assets:		
Accounts receivable	(6,186)	(31,791)
Inventory	-	1,000
Other assets	9,101	(4,500)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(617)	(16,183)
Accrued expenses	<u>852</u>	<u>6,713</u>
 Net Cash From Operating Activities	 <u>931</u>	 <u>28,922</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(2,656)	(14,066)
Transfer from cash account to investments	<u>(20,035)</u>	<u>(77,661)</u>
 Net Cash (Used in) Investing Activities	 <u>(22,691)</u>	 <u>(91,727)</u>
 NET INCREASE (DECREASE) IN CASH	 (21,760)	 (62,805)
Cash, beginning of year	<u>73,022</u>	<u>135,827</u>
 CASH, END OF YEAR	 <u>\$ 51,262</u>	 <u>\$ 73,022</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

National Association of Agricultural Educators, Inc. (the Association) was incorporated in the state of California in 1952. The objectives of the Association are as follows: to assume and maintain national leadership in the promotion and furtherance of all levels of agricultural education; to bring together vocational agricultural teachers through membership in a national organization devoted exclusively to their interests; to provide an opportunity for agricultural teachers to discuss problems affecting agricultural education on a national level; to serve state or local organizations of agricultural teachers in the solution of problems which may arise; to cooperate with American Vocational Association in furthering the cause of vocational education; to cooperate with education entities in furthering the mission of agricultural education in order to provide a dynamic education system.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using generally accepted accounting principles. The significant accounting policies, as described below, are presented to clarify the Association's financial statements.

Financial Statement Presentation

The Association's financial statements conform with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions

The Association's financial statements conform with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Accounts Receivable

The Association charges its members for membership dues according to a set fee structure. The Association anticipates all of its accounts receivable at June 30, 2009 to be fully collectible.

Investments

The Association's financial statements conform with Statement of Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." This standard requires that the Association report investments at fair value rather than historical or amortized cost. Fair value is based on quoted market prices. Realized gains and losses on the sale of investments are computed using the specific cost of the investment sold.

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

Inventory

Inventory values are calculated under lower of cost or market method, and are accounted for on an average cost basis.

Income Tax Exemption

The Association is exempt from federal income taxes under the provisions of IRC 501(c)(3) of the Internal Revenue Code.

Estimates

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments are composed of three accounts, each of which operates under different restrictions. The purpose of the Operating Reserve Account is to provide funding for both long and short-term projects, special initiatives, and to provide for shortfalls in the operating budget of the Association. Funds are not restricted as to use except that they are used for the benefit of the Association and its membership. The purpose of the Life Membership Account is to properly account for and segregate those funds that are received from members for lifetime memberships. The principal amounts paid as lifetime memberships are designated by the board of directors and cannot be accessed by the Association. Investment earnings from these memberships are used to provide for goods and services to the Association's membership. The Legislative Account funds and supports non-partisan issues that have an impact on agricultural education. No funds are used in the active support of a particular candidate.

At June 30, 2009, the investment portfolio was comprised of debt and equity securities classified as available for sale. Investments considered available for sale are recorded in the financial statements at fair value. Realized gains and losses on the sale of securities are based on original cost, and are included in the Statement of Activities. Realized losses for the period ending June 30, 2009 total \$0.

Investments, which are stated at fair market value, consisted of the following at June 30, 2009:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain(Loss)</u>
Unrestricted net assets			
Money market fund	\$ 57,569	\$ 57,569	\$ -
Corporate Bonds	49,261	49,604	(343)
Equity mutual funds	271,078	384,070	(112,992)
Board designated net assets			
Money market funds	30,000	30,000	-
Equity mutual funds	47,452	59,450	(11,998)
Temporarily restricted net assets			
Money market funds	<u>368</u>	<u>368</u>	<u>-</u>
Total investments	<u>\$ 455,728</u>	<u>\$ 581,061</u>	<u>\$ (125,333)</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 2 – INVESTMENTS (CONTINUED)

Investments, which are stated at fair market value, consisted of the following at June 30, 2008:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain(Loss)</u>
Unrestricted net assets			
Money market fund	\$ 141,795	\$ 141,795	\$ -
Equity mutual funds	314,142	320,852	(6,710)
Board designated net assets			
Money market funds	29,388	29,388	-
Equity mutual funds	63,714	58,812	4,901
Temporarily restricted net assets			
Money market funds	<u>363</u>	<u>363</u>	<u>-</u>
 Total investments	 <u>\$ 549,402</u>	 <u>\$ 551,210</u>	 <u>\$ (1,809)</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

- Investments: The fair value of investments is based on quoted market prices for those or similar investments.

The estimated fair values of the Association's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments	\$ 455,728	\$ 455,728

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 10,404	\$ 10,404
Computer equipment	49,210	46,554
Furniture and fixtures	<u>11,380</u>	<u>11,380</u>
	70,994	68,338
Less: accumulated depreciation	<u>(59,800)</u>	<u>(53,146)</u>
 Net property and equipment	 <u>\$ 11,194</u>	 <u>\$ 15,192</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 5 - DESIGNATED NET ASSETS

Unrestricted net assets have been set aside by the Board of Directors for the investment of lifetime memberships as of June 30, 2009 and June 30, 2008 in the amount of \$117,068 and \$115,208, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the support of non-partisan legislative issues at June 30, 2009 and June 30, 2008 are \$1,160 and \$0, respectively.

NOTE 7 – LEASE AGREEMENTS

Effective July 1, 2007, the Association entered into a one-year operating lease agreement with the Commonwealth of Kentucky to rent its office space for \$625 per month. The lease is renewable annually, and was extended through June 30, 2010.

Minimum future lease payments through June 30, 2010 are \$7,500.

NOTE 8 – EMPLOYEE BENEFITS

The Association sponsors a 401(k) plan, covering employees meeting certain minimum participation requirements. The Association's contributions to the plan, for the years ended June 30, 2009 and 2008 were \$12,537 and \$10,974, respectively. Association contributions to this plan are determined by the Association's board of directors and are allocated to eligible employees based on their annual compensation.

NOTE 9 – SPECIAL FUNDRAISING EVENTS

The special fundraising events are presented net of associated costs. Gross revenues and related costs are as follows:

<u>Host State Social</u>	<u>2009</u>	<u>2008</u>
Gross revenues	\$ 8,424	\$ -
Less related costs	<u>(8,424)</u>	<u>-</u>
Net income	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 – SALES OF MERCHANDISE

Sales of merchandise are presented net of associated costs. Gross revenues and related costs are as follows:

	<u>2009</u>	<u>2008</u>
Gross revenues	\$ 10,335	\$ 8,689
Less related cost	<u>(9,583)</u>	<u>(8,174)</u>
Net income	<u>\$ 752</u>	<u>\$ 515</u>

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

At various times during the fiscal years, the Association's cash in bank balances exceeded the federally insured limits. At June 30, 2009 and June 30, 2008, the Association's uninsured cash balances totaled \$0 and \$30,358, respectively.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 11 – CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The Association's accounts receivable balance as of June 30, 2009 was \$68,794. The Association carries risk primarily with those accounts that are beyond 90 days past invoicing. The balance of these long-standing receivables is \$36,524, and consists primarily of annual recurring convention sponsors and association memberships. There has not been an allowance created for uncollectible accounts, as all balances are expected to be collected.

NOTE 12 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2008 financial statements in order to conform to the 2009 presentation with no effect on previously reported results of activities or net assets.

NOTE 13 – SUBSEQUENT EVENTS

The Association has evaluated and considered the need to recognize or disclose subsequent events through November 5, 2009, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2009, have not been evaluated by the Association.

SUPPLEMENTARY INFORMATION

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2009

	General <u>Expenses</u>	<u>Convention</u>	FFA Foundation <u>Projects</u>	<u>Total</u>
Salaries	\$ 223,751	\$ -	\$ -	\$ 223,751
FFA Foundation projects			155,029	155,029
Officer and board travel	47,719	8,006		55,725
Insurance	41,920			41,920
Promotion and marketing	32,189	1,840		34,029
Staff travel and meetings	25,787	6,951		32,738
Employee benefits	30,297			30,297
Payroll and other taxes	16,780			16,780
Membership and contributions	13,775			13,775
Professional fees	13,345			13,345
Meal functions		12,845		12,845
Scholarships	11,250			11,250
Printing	5,910	3,847		9,757
Rent	7,500			7,500
Depreciation	6,654			6,654
Merchandise and diaries	6,594			6,594
NPS expense	6,462			6,462
Equipment rental and maintenance		5,971		5,971
Office supplies	5,368			5,368
Postage	4,493	658		5,151
Teacher Mentor expenses		4,575		4,575
Ideas Unlimited expenses		4,110		4,110
Communities of practice	3,960			3,960
Telephone	3,957			3,957
Plaques and trophies		3,841		3,841
Webinar expense	3,003			3,003
Registration-awards		2,435		2,435
Computer service	1,986			1,986
Committee expense		1,228		1,228
Teacher Crisis fund	1,000			1,000
Tour expense		702		702
Staff training	590			590
Workshops		565.00		565
Bank charges	254			254
Photocopying	63			63
Taxes and licenses	60			60
Miscellaneous	8	28		36
	<u>\$ 514,675</u>	<u>\$ 57,602</u>	<u>\$ 155,029</u>	<u>\$ 727,306</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2008

	<u>General Expenses</u>	<u>Convention</u>	FFA <u>Foundation Projects</u>	<u>Total</u>
Salaries	\$ 212,272	\$ -	\$ -	\$ 212,272
FFA Foundation projects			162,101	162,101
Officer and board travel	30,169	15,160		45,329
Insurance	42,849			42,849
Staff travel and meetings	31,353	11,409		42,762
Employee benefits	31,735			31,735
Professional fees	18,958			18,958
Promotion and marketing	13,955	2,023		15,978
Payroll and other taxes	15,635			15,635
Membership and contributions	11,557			11,557
Scholarships	10,500			10,500
Equipment rental and maintenance		10,337		10,337
Ag Ed Opportunity fund	10,000			10,000
NPS expense	9,835			9,835
Meal functions		9,155		9,155
Postage	4,520	4,518		9,038
Rent	7,500			7,500
Office supplies	7,264			7,264
Printing	5,216	1,400		6,616
Depreciation	5,704			5,704
Ideas Unlimited expenses		4,773		4,773
Teacher Mentor expenses		3,700		3,700
Telephone	3,633			3,633
Teacher Crisis fund	2,500			2,500
Plaques and trophies		2,439		2,439
Merchandise and diaries	2,411			2,411
CP expenses		2,015		2,015
Computer service	1,670			1,670
Registration-awards		1,300		1,300
Miscellaneous	345	729		1,074
Webinar expense	1,061			1,061
Staff training	849			849
Committee expense		364		364
Bank charges	25			25
Photocopying	17			17
Taxes and licenses	4			4
	<u>\$ 481,537</u>	<u>\$ 69,322</u>	<u>\$ 162,101</u>	<u>\$ 712,960</u>