

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

**FINANCIAL STATEMENTS
June 30, 2012 and 2011**

CONTENTS

Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Notes to the Financial Statements.....	5-10
Supplementary Information	
Schedule of Expenses.....	11-12

rfh Ray, Foley, Hensley & Company, PLLC

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INDEPENDENT AUDITORS' REPORT

J. Carroll Luby, CPA

To The Board of Directors 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, 2012 and 2011 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, 2012 and 2011 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 as a whole. The supplementary information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the above 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 16, 2012

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

ASSETS	2012	2011
Current assets		
Cash	\$ 10,914	\$ 89,161
Investments	657,752	707,300
Accounts receivable	355,580	202,642
Inventory	5,000	5,000
Prepaid expenses	<u>8,636</u>	<u>5,154</u>
Total current assets	1,037,882	1,009,257
Property and equipment, net of accumulated depreciation	<u>15,355</u>	<u>12,889</u>
TOTAL ASSETS	<u>\$ 1,053,237</u>	<u>\$ 1,022,146</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 232,833	\$ 140,411
Accrued expenses	<u>31,516</u>	<u>33,446</u>
Total current liabilities	<u>264,349</u>	<u>173,857</u>
Net Assets		
Unrestricted		
Current operations	552,279	537,706
Board designated for special purposes	153,331	158,781
Temporarily restricted	<u>83,278</u>	<u>151,802</u>
Total net assets	<u>788,888</u>	<u>848,289</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,053,237</u>	<u>\$ 1,022,146</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	2012	2011
Support		
Membership dues	\$ 399,460	\$ 419,460
FFA Foundation projects	360,043	235,758
Sponsorship and awards	36,450	66,714
Convention registration	82,593	101,193
Management fees	94,402	60,406
Case management fees	20,000	-
Interest and dividends	13,640	10,898
Other income	32,171	10,000
Merchandise sales	8,672	8,715
Lifetime membership dues	6,840	5,040
Teacher Crisis fund	7,678	2,752
Auction proceeds	1,389	1,813
Convention workshop	228	-
Convention Host State	(228)	-
Net unrealized gains (losses) on securities	(35,330)	103,299
Net realized gains on securities	875	-
Net assets released from restrictions	<u>828,350</u>	<u>639,130</u>
 Total unrestricted support	 1,857,233	 1,665,178
Expenses		
General expenses	605,949	587,874
Convention	57,458	106,606
FFA Foundation projects	357,057	224,956
CASE program expenses	<u>827,646</u>	<u>639,130</u>
Total expenses	<u>1,848,110</u>	<u>1,558,566</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 <u>9,123</u>	 <u>106,612</u>
TEMPORARILY RESTRICTED NET ASSETS		
Legislative contributions	704	49
CASE program income	759,122	477,823
Net assets released from restriction	<u>(828,350)</u>	<u>(639,130)</u>
 (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	 <u>(68,524)</u>	 <u>(161,258)</u>
 CHANGE IN NET ASSETS	 (59,401)	 (54,646)
Net assets, beginning of year	<u>848,289</u>	<u>902,935</u>
 NET ASSETS, END OF YEAR	 <u>\$ 788,888</u>	 <u>\$ 848,289</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,

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (59,401)	\$ (54,646)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,154	4,533
Unrealized losses (gains) on investments	35,330	(103,299)
(Increase) decrease in operating assets:		
Accounts receivable	(152,938)	184,097
Prepaid expenses	(3,482)	3,163
Increase (decrease) in operating liabilities:		
Accounts payable	92,422	88,787
Accrued expenses	<u>(1,930)</u>	<u>3,018</u>
Net cash provided by (used in) operating activities	<u>(86,845)</u>	<u>125,653</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(5,620)	(6,714)
Proceeds from sale of investments	26,000	-
Purchase of investments	<u>(11,782)</u>	<u>(57,171)</u>
Net cash provided by (used in) investing activities	<u>8,598</u>	<u>(63,885)</u>
NET INCREASE (DECREASE) IN CASH	(78,247)	61,768
Cash, beginning of year	<u>89,161</u>	<u>27,393</u>
CASH, END OF YEAR	<u>\$ 10,914</u>	<u>\$ 89,161</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Association

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 agriculture teachers through membership in a national Association devoted exclusively to their interests; to provide an opportunity for agriculture teachers to discuss problems affecting agricultural education on a national level; to serve state or local Associations of agriculture teachers in the solution of problems which may arise; to cooperate with the Association for Career and Technical Education in furthering the cause of career and technical education; to cooperate with education entities in furthering the mission of agricultural education in order to provide a dynamic education system.

Income Tax Exemption

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, however the Association is not exempt from tax imposed upon unrelated activity income. The Association currently has no unrelated business income and accordingly, no provision for income taxes has been recorded.

Under generally accepted accounting principles, the Association must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The Association does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits or possible related interest or penalties. The Association is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2009.

Financial Statement Presentation

The Association prepares its financial statements in accordance with generally accepted accounting principles for non-profit Organizations, which require the Association to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- a) Unrestricted net assets encompass the portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- b) Temporarily restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations.
- c) Permanently restricted net assets are the net assets resulting from contributions whose use by the Association is limited by the donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

Contributions

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.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

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, 2012 and 2011 to be fully collectible.

Investments

The Association reports investments at fair market value rather than historical or amortized cost. Fair market 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.

Inventory

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

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 two 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.

Investments are recorded at fair market value in accordance with generally accepted accounting principles. The net realized and unrealized gains or losses on investments are recorded in the Statement of Activities by classification of the assets.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 – INVESTMENTS (CONTINUED)

Investments, which are stated at fair market value, consisted of the following at June 30, 2012:

	<u>Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Unrestricted net assets			
Money market fund	\$ 49,642	\$ 49,642	\$ -
Corporate Bonds	52,136	49,591	2,545
Equity mutual funds	402,643	362,844	39,799
Board designated net assets			
Money market funds	-	-	-
Equity mutual funds	<u>153,331</u>	<u>144,470</u>	<u>8,861</u>
Total investments	<u>\$ 657,752</u>	<u>\$ 606,547</u>	<u>\$ 51,205</u>

Investments, which are stated at fair market value, consisted of the following at June 30, 2011:

	<u>Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Unrestricted net assets			
Money market fund	\$ 47,613	\$ 47,613	\$ -
Corporate Bonds	77,467	75,695	1,772
Equity mutual funds	423,439	356,180	67,259
Board designated net assets			
Money market funds	1	1	-
Equity mutual funds	<u>158,780</u>	<u>141,276</u>	<u>17,504</u>
Total investments	<u>\$ 707,300</u>	<u>\$ 620,765</u>	<u>\$ 86,535</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 Association uses Level 1 inputs to determine fair value. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. The estimated fair values of the Association's financial instruments are as follows for June, 30 2012:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Unrestricted net assets:		
Money market fund	\$ 49,642	\$ 49,642
Corporate Bonds	52,136	52,136
Equity mutual funds	402,643	402,643
Board designated net assets:		
Equity mutual funds	153,331	153,331

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The estimated fair values of the Association’s financial instruments are as follows for June, 30 2011:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Unrestricted net assets:		
Money market fund	\$ 47,613	\$ 47,613
Corporate Bonds	77,467	77,467
Equity mutual funds	423,439	423,439
Board designated net assets:		
Money market funds	1	1
Equity mutual funds	158,780	158,780

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Office equipment	\$ 12,341	\$ 12,341
Computer equipment	64,440	59,080
Furniture and fixtures	11,640	11,380
CASE equipment	<u>1,140</u>	<u>1,140</u>
	89,561	83,941
Less: accumulated depreciation	<u>(74,206)</u>	<u>(71,052)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 15,355</u>	<u>\$ 12,889</u>

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, 2012 and 2011 in the amount of \$153,331 and \$158,781, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Non-partisan lobbying	\$ -	\$ 1,860
CASE Project	<u>83,278</u>	<u>149,942</u>
Total	<u>\$ 83,278</u>	<u>\$ 151,802</u>

NOTE 7 – CASE PROJECT

The Curriculum for Agricultural Science Education (CASE) initiative is a project of the National Council for Agricultural Education (The Council). During fiscal year 2010, the Council passed a resolution that transferred the management responsibilities for the CASE initiative to the Association. The Association has established accounting procedures and codes for CASE such that all CASE revenue and expenses are identified separately within the Association financial records. CASE net assets are classified as temporarily restricted and can be used only for the CASE initiative.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 – LEASE AGREEMENTS

Effective July 1, 2007, the Association entered into a one-year operating lease agreement with the University of Kentucky to rent its office space for \$625 per month. The Association incurred expense of \$5,000 and \$7,500 for the years ended June 30, 2012 and 2011, respectively. The 2012 rent was reduced in exchange for services provided to the University. The lease is renewable annually, and was extended through June 30, 2013.

Minimum future lease payments through June 30, 2013 are \$7,500.

NOTE 9 – 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, 2012 and 2011 were \$17,688 and \$17,175, 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 10 – 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>2012</u>	<u>2011</u>
Gross revenues	\$ 7,975	\$ -
Less related costs	<u>(8,203)</u>	<u>-</u>
Net (loss)	<u>\$ (228)</u>	<u>\$ -</u>

NOTE 11 – SALES OF MERCHANDISE

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

	<u>2012</u>	<u>2011</u>
Gross revenues	\$ 8,672	\$ 8,715
Less related cost	<u>(2,892)</u>	<u>(6,430)</u>
Net income	<u>\$ 5,780</u>	<u>\$ 2,285</u>

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

At various times during the fiscal year 2011, the Association's cash in bank balances exceeded the federally insured limits. At June 30, 2012 and 2011, the Association's cash balances were fully insured.

The Association's accounts receivable balance as of June 30, 2012 and 2011 was \$355,580 and \$202,642, respectively. The Association carries risk primarily with those accounts that are beyond 90 days past invoicing. The balance of these long-standing receivables as of June 30, 2012 and 2011 was \$21,432 and \$32,590, respectively. Receivables consist 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.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 13 – COMMITMENTS

The Association has contracted with hotels for its 2013 and 2014 annual conferences. The contracts are subject to various cancellation penalties as well as minimum room usage. The maximum charges would be approximately \$180,000 and \$143,000, respectively, for conferences to be held in December 2013 and November 2014. The above amounts are reduced by room utilization by conference attendees. The Association does not anticipate a material liability from these contracts based on historical attendance at the conference. The Association has not experienced any losses related to unsold rooms or cancellation of its conferences, and believes it is not exposed to any significant risk on these contracts.

NOTE 14 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2011 financial statements in order to conform to the 2012 presentation with no effect on the previously reported results of activities or total net assets.

NOTE 15 – SUBSEQUENT EVENTS

The Association has evaluated and considered the need to recognize or disclose subsequent events through November 16, 2012, 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, 2012, have not been evaluated by the Association.

SUPPLEMENTARY INFORMATION

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2012

	General <u>Expenses</u>	<u>Convention</u>	FFA Foundation <u>Projects</u>	Case Program <u>Expenses</u>	<u>Total</u>
Salaries and contract labor	\$ 298,523	\$ -	\$ -	\$ 207,844	\$ 506,367
FFA Foundation projects			357,057		357,057
Vernier				338,195	338,195
NRES expense				83,223	83,223
Carthage				81,691	81,691
Officer and board travel	46,660	14,166			60,826
CASE travel				55,235	55,235
Employee benefits	49,393				49,393
Insurance	43,209				43,209
APB expense				40,456	40,456
Staff travel and meetings	22,968	4,219			27,187
Promotion and marketing	12,593	2,782		7,980	23,355
Payroll and other taxes	22,782				22,782
Professional fees	15,519			2,414	17,933
Equipment rental and maintenance		16,800		247	17,047
Membership and contributions	16,332				16,332
NPS expense	12,095				12,095
Scholarships	11,250				11,250
Communities of practice	10,853				10,853
Office supplies	7,694			1,272	8,966
Computer service	7,072				7,072
Meal functions		7,045			7,045
Postage	6,241	473		247	6,961
Assessments				6,337	6,337
Printing	4,458			893	5,351
Rent	5,000				5,000
Ideas Unlimited expenses		4,115			4,115
Teacher Mentor expenses		3,738			3,738
Bank charges	3,255			129	3,384
Depreciation	3,040			114	3,154
Telephone	2,952				2,952
Committee expense		2,079			2,079
Teacher Crisis fund	2,000				2,000
Plaques and trophies		1,446			1,446
Rutgers				1,369	1,369
Webinar expense	1,188				1,188
Miscellaneous	578	25			603
Registration awards		570			570
Bad Debt expense	150				150
Photocopying	89				89
Taxes and licenses	55				55
	<u>\$ 605,949</u>	<u>\$ 57,458</u>	<u>\$ 357,057</u>	<u>\$ 827,646</u>	<u>\$ 1,848,110</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2011

	General <u>Expenses</u>	<u>Convention</u>	FFA Foundation <u>Projects</u>	Case Program <u>Expenses</u>	<u>Total</u>
Salaries	\$ 278,927	\$ -	\$ -	\$ 174,167	\$ 453,094
Vernier				261,633	261,633
FFA Foundation projects			224,956		224,956
CASE travel				81,575	81,575
Officer and board travel	50,399	11,586			61,985
Carthage				50,415	50,415
Employee benefits	49,222				49,222
Meal functions		45,878			45,878
Insurance	43,301				43,301
Assessments				35,000	35,000
Staff travel and meetings	21,704	10,903			32,607
Field test				25,754	25,754
Equipment rental and maintenance		20,139		1,171	21,310
Membership and contributions	20,457				20,457
Payroll and other taxes	20,434				20,434
Promotion and marketing	15,227			3,361	18,588
Professional fees	14,444			3,404	17,848
Postage	5,958	5,183		1,327	12,468
Scholarships	12,000				12,000
Communities of practice	9,239				9,239
Office supplies	6,896			1,304	8,200
Rent	7,500				7,500
NPS expense	7,378				7,378
Telephone	4,967				4,967
Depreciation	4,514			19	4,533
Teacher Crisis fund	4,500				4,500
Computer service	4,304				4,304
Printing	3,882	394			4,276
Teacher Mentor expenses		4,170			4,170
Ideas Unlimited expenses		4,170			4,170
Committee expense		2,109			2,109
Plaques and trophies		2,077			2,077
Webinar expense	1,188				1,188
NSTA dues	896				896
Photocopying	210				210
Miscellaneous	191	(3)			188
Taxes and licenses	82				82
Staff training	54				54
	<u>\$ 587,874</u>	<u>\$ 106,606</u>	<u>\$ 224,956</u>	<u>\$ 639,130</u>	<u>\$ 1,558,566</u>