

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

**FINANCIAL STATEMENTS
June 30, 2018 and 2017**

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses on pages 13-14 are presented for purposes of additional analysis and are not a required part of the 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.



RFH, PLLC
Lexington, Kentucky
November 6, 2018

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

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	\$ 656,165	\$ 460,669
Investments	1,021,227	914,396
Accounts receivable	496,596	275,613
Inventory	5,000	5,000
Prepaid expenses	<u>73,140</u>	<u>16,423</u>
Total current assets	2,252,128	1,672,101
Property and equipment, net of accumulated depreciation	<u>12,268</u>	<u>9,432</u>
TOTAL ASSETS	<u>\$ 2,264,396</u>	<u>\$ 1,681,533</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 214,355	\$ 333,839
Accrued expenses	<u>47,100</u>	<u>58,172</u>
Total current liabilities	<u>261,455</u>	<u>392,011</u>
Net assets		
Unrestricted		
Current operations	1,115,482	765,329
Board designated for special purposes	263,291	233,843
Temporarily restricted	<u>624,168</u>	<u>290,350</u>
Total net assets	<u>2,002,941</u>	<u>1,289,522</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,264,396</u>	<u>\$ 1,681,533</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	2018	2017
Support		
Membership dues	\$ 458,817	\$ 433,829
FFA Foundation projects	1,363,914	793,307
Sponsorship and awards	26,726	24,750
Convention registration	131,028	129,006
Management fees	100,000	95,000
CASE management fees	24,000	24,000
Interest and dividends	26,621	15,560
Other income	22,615	37,129
Merchandise sales, net	3,747	4,502
Lifetime membership dues	1,260	5,100
Teacher Crisis fund	17,134	26,812
Net unrealized gain (loss) on securities	91,885	83,974
Net realized gain (loss) on securities	(2,470)	31,884
Net assets released from restrictions	<u>1,707,627</u>	<u>2,026,992</u>
 Total unrestricted support	 <u>3,972,904</u>	 <u>3,731,845</u>
 Expenses		
General expenses	864,331	900,659
Convention	96,561	61,783
FFA Foundation projects	924,784	999,265
CASE program expenses	<u>1,707,627</u>	<u>2,026,412</u>
 Total expenses	 <u>3,593,303</u>	 <u>3,988,119</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 <u>379,601</u>	 <u>(256,274)</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Legislative contributions	-	580
CASE program income	2,041,445	1,814,485
Net assets released from restriction	<u>(1,707,627)</u>	<u>(2,026,992)</u>
 INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	 <u>333,818</u>	 <u>(211,927)</u>
 CHANGE IN NET ASSETS	 713,419	 (468,201)
Net assets, beginning of year	<u>1,289,522</u>	<u>1,757,723</u>
 NET ASSETS, END OF YEAR	 <u>\$ 2,002,941</u>	 <u>\$ 1,289,522</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,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 713,419	\$ (468,201)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,197	3,433
Realized losses (gains) on investments	2,470	(31,884)
Unrealized losses (gains) on investments	(91,885)	(83,974)
(Increase) decrease in operating assets:		
Accounts receivable	(220,983)	121,909
Prepaid expenses	(56,717)	2,949
Increase (decrease) in operating liabilities:		
Accounts payable	(119,484)	168,385
Accrued expenses	(11,072)	6,192
	<u>218,945</u>	<u>(281,191)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(6,033)	-
Proceeds from sale of investments	-	178,958
Purchase of investments	<u>(17,416)</u>	<u>(186,557)</u>
	<u>(23,449)</u>	<u>(7,599)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	195,496	(288,790)
Cash and cash equivalents, beginning of year	<u>460,669</u>	<u>749,459</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 656,165</u>	<u>\$ 460,669</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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.

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.

Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of membership dues and expense reimbursements for various initiatives. 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, 2018 and 2017 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. The net unrealized and realized gains and losses on the sale of investments are computed using the specific cost of the investment sold.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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.

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 positions 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 2014.

Management's Review of Subsequent Events

The Association has evaluated and considered the need to recognize or disclose subsequent events through November 6, 2018, 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, 2018, have not been evaluated by the Association.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 they are to be 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, which are stated at fair market value, consisted of the following at June 30, 2018:

	Market Value	Cost	Cumulative Unrealized Gain (Loss)
Unrestricted net assets			
Money market fund	\$ 3,968	\$ 3,968	\$ -
Equity mutual funds	753,968	611,603	142,365
Board designated net assets			
Money market fund	1,246	1,246	-
Equity mutual funds	<u>262,045</u>	<u>207,686</u>	<u>54,359</u>
Total investments	<u>\$1,021,227</u>	<u>\$ 824,503</u>	<u>\$ 196,724</u>

Investments, which are stated at fair market value, consisted of the following at June 30, 2017:

	Market Value	Cost	Cumulative Unrealized Gain (Loss)
Unrestricted net assets			
Money market fund	\$ 6,423	\$ 6,423	\$ -
Equity mutual funds	674,130	597,459	76,671
Board designated net assets			
Money market fund	2,159	2,159	-
Equity mutual funds	<u>231,684</u>	<u>203,517</u>	<u>28,167</u>
Total investments	<u>\$ 914,396</u>	<u>\$ 809,558</u>	<u>\$ 104,838</u>

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.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

3. FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2018:

	Carrying Amount	Fair Value
Unrestricted net assets:		
Money market fund	\$ 3,968	\$ 3,968
Equity mutual funds	753,968	753,968
Board designated net assets:		
Money market fund	1,246	1,246
Equity mutual funds	<u>262,045</u>	<u>262,045</u>
Total investments	<u>\$ 1,021,227</u>	<u>\$ 1,021,227</u>

The estimated fair values of the Association's financial instruments are as follows for June 30, 2017:

	Carrying Amount	Fair Value
Unrestricted net assets:		
Money market fund	\$ 6,423	\$ 6,423
Equity mutual funds	674,130	674,130
Board designated net assets:		
Money market fund	2,159	2,159
Equity mutual funds	<u>231,684</u>	<u>231,684</u>
Total investments	<u>\$ 914,396</u>	<u>\$ 914,396</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Office equipment	\$ 5,529	\$ 5,529
Computer equipment	32,013	25,979
Furniture and fixtures	12,129	12,129
CASE equipment	<u>1,140</u>	<u>1,140</u>
	50,811	44,777
Less: accumulated depreciation	<u>(38,543)</u>	<u>(35,345)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 12,268</u>	<u>\$ 9,432</u>

5. DESIGNATED NET ASSETS

Unrestricted net assets have been designated by the Board of Directors to provide lifetime memberships; this investment consists of \$263,291 and \$233,843, as of June 30, 2018 and 2017, respectively.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

6. TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
CASE Projects	<u>\$ 624,168</u>	<u>\$ 290,350</u>

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.

8. LEASE AGREEMENTS

Effective July 1, 2003, the Association entered into a one-year operating lease agreement with the University of Kentucky to rent 500 square feet of office space for \$15 per square foot, per year. That equated \$625 per month. Starting July 1, 2017, the Association contracted to rent an additional 170 square feet. This increased the calculated monthly rent to \$837.50. The Association incurred rent expense of \$10,050 and \$7,550 for the years ended June 30, 2018 and 2017, respectively. The lease is renewable annually with minimum future lease payments through June 30, 2019 totaling \$10,050.

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, 2018 and 2017, were \$34,734 and \$33,270, 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.

10. SALES OF MERCHANDISE

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

	2018	2017
Gross revenues	\$ 8,538	\$ 7,838
Less related costs	<u>(4,791)</u>	<u>(3,336)</u>
Net income	<u>\$ 3,747</u>	<u>\$ 4,502</u>

11. CONCENTRATIONS OF CREDIT RISK

The Association maintains multiple bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during fiscal years 2018 and 2017, the Association's cash in bank balances exceeded the federally insured limits. Cash balances of \$349,107 and \$371,644 were uninsured as of June 30, 2018 and 2017, respectively.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

11. CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The Association's accounts receivable balance as of June 30, 2018 and 2017 was \$496,596 and \$275,613, 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, 2018 and 2017 was \$25,930 and \$25,763, 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.

12. COMMITMENTS

The Association has contracted with hotels for its 2018-2021 annual conferences. The contracts are subject to various cancellation penalties as well as minimum room usage. Cancellation penalties totaled \$133,847 as of June 30, 2018 for the 2018-2021 conferences. These 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.

13. NATIONAL FFA FOUNDATION SPECIAL PROJECTS

The Organization conducts various initiatives on behalf of the National FFA Foundation. Prior to 2016, funds for these initiatives were held at the National FFA Foundation until the Organization incurs program expenses and draws down the funds. In 2016, the FFA Foundation began releasing funds to the Organization as they became available. These initiatives, or Special Projects of the National FFA Foundation, include:

- Agriscience Initiative
- CASE Agricultural Business Foundations
- CASE Mechanical Systems in Agriculture
- CASE Scholarships/Grants
- Communities of Practice
- Excellence in Leadership for Retention (XLR8)
- Lifetime Achievement Awards
- NAAE Convention General Support
- NAAE General Support
- National Ag Ed Leadership Luncheon (at NPS)
- National Agriscience Teacher Ambassadors
- National Teach Ag Campaign
- Organizational Membership
- Outstanding Ag Ed Teacher Awards
- Outstanding Early Career Teacher Awards
- Outstanding Middle/Secondary Ag Ed Program Awards
- Outstanding Postsecondary/Audit Program Awards
- Student Teacher Scholarships
- Teachers Turn the Key

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

14. SUBSEQUENT EVENT

For the year ending June 30, 2019, the Association will be required to implement the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. The ASU changes the net asset classification requirements and modifies the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The Association is currently analyzing the impact of its implementation of ASU 2016-14.

SUPPLEMENTARY INFORMATION

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2018

	General Expenses	Convention	FFA Foundation Projects	Case Program Expenses	Total
Salaries and contract labor	\$ 460,990	\$ -	\$ -	\$ 509,209	\$ 970,199
FFA Foundation projects	-	-	887,593	-	887,593
Vernier	-	-	-	797,237	797,237
Carthage	-	-	-	178,200	178,200
CASE travel	-	-	-	75,216	75,216
Officer and board travel	49,360	19,024	-	-	68,384
Promotion and marketing	12,175	8,874	-	42,786	63,835
Employee benefits	48,342	-	-	-	48,342
Payroll and other taxes	38,708	-	-	4,468	43,176
Insurance	42,913	-	-	-	42,913
Website expense	16,794	-	-	21,000	37,794
Communities of practice	-	-	37,191	-	37,191
Equipment rental and maintenance	-	34,235	-	-	34,235
Scholarships	33,000	-	-	-	33,000
Miscellaneous	7,204	-	-	23,724	30,928
Staff travel and meetings	16,488	13,599	-	-	30,087
CI scholarships	-	-	-	29,770	29,770
Computer service	23,160	-	-	-	23,160
Membership and contributions	19,209	-	-	-	19,209
Professional fees	17,150	-	-	-	17,150
MSA expense	-	-	-	15,067	15,067
NPS expense	14,744	-	-	-	14,744
Office supplies	11,319	-	-	905	12,224
Printing	5,158	3,083	-	3,316	11,557
Postage	7,646	1,128	-	1,486	10,260
Rent	10,050	-	-	-	10,050
Bank charges	9,171	-	-	-	9,171
Teacher Crisis fund	8,500	-	-	-	8,500
Telephone	4,848	-	-	-	4,848
Ideas Unlimited expenses	-	4,612	-	-	4,612
Teacher Mentor expenses	-	4,612	-	-	4,612
Depreciation	3,083	-	-	114	3,197
Committee expense	-	3,015	-	-	3,015
CI mentor	-	-	-	2,898	2,898
APT expense	-	-	-	2,090	2,090
Plaques and trophies	-	1,961	-	-	1,961
Outstanding Young Members	1,675	-	-	-	1,675
Staff training	1,571	-	-	-	1,571
Registration - award	-	1,418	-	-	1,418
Webinar expense	1,023	-	-	-	1,023
Meal functions	-	1,000	-	-	1,000
Merchandise expense	-	-	-	141	141
Taxes and licenses	50	-	-	-	50
	<u>\$ 864,331</u>	<u>\$ 96,561</u>	<u>\$ 924,784</u>	<u>\$ 1,707,627</u>	<u>\$ 3,593,303</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2017

	General Expenses	Convention	FFA Foundation Projects	Case Program Expenses	Total
Salaries and contract labor	\$ 483,161	\$ -	\$ -	\$ 592,410	\$ 1,075,571
FFA Foundation projects	-	-	934,474	-	934,474
Vernier	-	-	-	863,831	863,831
Carthage	-	-	-	217,876	217,876
Promotion and marketing	24,490	5,865	-	108,372	138,727
CASE travel	-	-	-	137,414	137,414
Communities of practice	-	-	64,791	-	64,791
Officer and board travel	45,337	16,037	-	-	16,037
Employee benefits	50,957	-	-	-	50,957
Staff travel and meetings	40,038	9,088	-	-	49,126
Payroll and other taxes	40,321	-	-	3,679	44,000
Scholarships	37,500	-	-	-	37,500
Insurance	36,797	-	-	-	36,797
Website expense	15,231	-	-	20,000	35,231
Miscellaneous	8,116	428	-	24,000	32,544
Membership and contributions	21,329	-	-	-	21,329
Printing	4,028	4,117	-	9,436	17,581
Postage	7,718	7,519	-	1,559	16,796
Professional fees	16,300	-	-	-	16,300
MSA expense	-	-	-	15,098	15,098
Computer service	14,875	-	-	-	14,875
Office supplies	10,273	-	-	1,460	11,733
Field test	-	-	-	10,000	10,000
APT expense	-	-	-	9,978	9,978
NPS expense	9,500	-	-	-	9,500
Teacher Crisis fund	8,000	-	-	-	8,000
Bank charges	7,905	-	-	-	7,905
CI mentor	-	-	-	7,846	7,846
Rent	7,550	-	-	-	7,550
Equipment rental and maintenance	-	4,963	-	-	4,963
Telephone	4,883	-	-	-	4,883
Ideas Unlimited expenses	-	4,281	-	-	4,281
Merchandise expense	-	-	-	622	622
Teacher Mentor expenses	-	3,946	-	-	3,946
Depreciation	3,319	-	-	114	3,433
Committee expense	-	3,317	-	-	3,317
ESI expense	-	-	-	2,267	2,267
Plaques and trophies	-	1,179	-	-	1,179
Meal functions	-	1,043	-	-	1,043
Staff training	964	-	-	-	964
Outstanding Young Members	902	-	-	-	902
Webinar expense	535	-	-	-	535
CI scholarships	-	-	-	450	450
Professional development expense	318	-	-	-	318
TTTK expense	287	-	-	-	287
Taxes and licenses	25	-	-	-	25
	<u>\$ 900,659</u>	<u>\$ 61,783</u>	<u>\$ 999,265</u>	<u>\$ 2,026,412</u>	<u>\$ 3,988,119</u>



To the Board of Directors
National Association of Agricultural Educators, Inc.
300 Garrigus Building, University of Kentucky
Lexington, Kentucky

We have audited the financial statements of the National Association of Agricultural Educators, Inc. for the year ended June 30, 2018, and have issued our report thereon dated November 6, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the National Association of Agricultural Educators, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of allowance for doubtful accounts is based on their knowledge of clients' historical and current payments received. We evaluated the key factors and assumptions used to develop the method used by management to calculate the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Items Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the National Association of Agricultural Educators, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



RFH, PLLC
Lexington, Kentucky
November 6, 2018