

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

**FINANCIAL STATEMENTS
June 30, 2020 and 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Association of Agricultural Educators, Inc.
Lexington, Kentucky

We have audited the accompanying financial statements of the National Association of Agricultural Educators, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Association of Agricultural Educators, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A stylized, handwritten-style logo for RFH.

RFH, PLLC
Lexington, Kentucky
November 19, 2020

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

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 937,694	\$ 836,069
Investments	1,124,783	1,097,113
Accounts receivable	347,608	574,813
Inventory	5,000	5,000
Prepaid expenses	<u>17,902</u>	<u>7,671</u>
Total current assets	2,432,987	2,520,666
Property and equipment, net of accumulated depreciation	<u>66,135</u>	<u>8,955</u>
TOTAL ASSETS	<u>\$ 2,499,122</u>	<u>\$ 2,529,621</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 60,987	\$ 251,207
Accrued expenses	<u>63,206</u>	<u>47,482</u>
Total current liabilities	<u>124,193</u>	<u>298,689</u>
Noncurrent liabilities		
Long-term debt	<u>81,700</u>	<u>-</u>
Total liabilities	<u>205,893</u>	<u>298,689</u>
Net assets		
Net assets without donor restrictions		
Undesignated	845,907	830,929
Board designated for special purposes	325,983	312,413
Net assets with donor restrictions	<u>1,121,339</u>	<u>1,087,590</u>
Total net assets	<u>2,293,229</u>	<u>2,230,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,499,122</u>	<u>\$ 2,529,621</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,

NET ASSETS WITHOUT DONOR RESTRICTIONS	2020	2019
Revenues		
Membership dues	\$ 457,505	\$ 461,591
FFA Foundation projects	1,474,596	1,228,958
Sponsorship and awards	37,243	34,710
Convention registration	151,895	146,141
CASE management fees	24,000	24,000
Interest and dividends, net	43,197	35,922
Other income	84,823	36,537
Merchandise sales, net	(3,987)	6,367
Lifetime membership dues	2,880	4,500
Teacher Crisis fund	17,847	13,213
Net unrealized gain (loss) on securities	(15,330)	11,795
Net realized gain (loss) on securities	-	(7,747)
Net assets released from restrictions	<u>1,962,166</u>	<u>2,385,459</u>
 Total support and revenues	 <u>4,236,835</u>	 <u>4,381,446</u>
Expenses		
General expenses	976,132	838,677
Convention	108,145	118,875
FFA Foundation projects	1,161,844	1,273,866
CASE program expenses	<u>1,962,166</u>	<u>2,385,459</u>
 Total program expenses	 <u>4,208,287</u>	 <u>4,616,877</u>
 Changes in net assets without donor restrictions	 <u>28,548</u>	 <u>(235,431)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
CASE program income	1,995,915	2,848,881
Net assets released from restriction	<u>(1,962,166)</u>	<u>(2,385,459)</u>
 Change in net assets with donor restrictions	 <u>33,749</u>	 <u>463,422</u>
 Change in net assets	 62,297	 227,991
Net assets, beginning of year	<u>2,230,932</u>	<u>2,002,941</u>
 NET ASSETS, END OF YEAR	 <u>\$ 2,293,229</u>	 <u>\$ 2,230,932</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2020

	General Expenses	Convention	FFA Foundation Projects	Case Program Expenses	Total
Salaries and contract labor	\$ 478,262	\$ -	\$ -	\$ 460,321	\$ 938,583
National Teach Ag Campaign	-	-	713,544	-	713,544
Vernier	-	-	-	711,089	711,089
FFA Foundation projects	-	-	407,390	-	407,390
CI scholarships	-	-	-	340,400	340,400
Promotion and marketing	27,793	6,430	-	70,555	104,778
Carthage	-	-	-	97,125	97,125
Officer and board travel	43,199	26,940	-	-	70,139
Payroll and other taxes	30,063	-	-	33,230	63,293
CASE travel	-	-	-	59,013	59,013
Website expense	36,044	-	-	20,000	56,044
Staff travel and meetings	21,457	30,757	-	-	52,214
Elite Elevation expenses	-	-	-	49,590	49,590
Technology expense	-	-	-	46,231	46,231
Insurance	46,168	-	-	-	46,168
Rent	45,619	-	-	-	45,619
Professional fees	21,336	-	-	24,000	45,336
Communities of practice	-	-	40,910	-	40,910
Employee benefits	40,520	-	-	-	40,520
PD-STEP grant expense	-	-	-	36,500	36,500
Scholarships	30,000	-	-	-	30,000
Office supplies	26,588	-	-	425	27,013
Equipment rental and maintenance	1,171	24,262	-	-	25,433
Computer service	22,497	-	-	-	22,497
Membership and contributions	21,007	-	-	-	21,007
Postage	9,608	4,574	-	5,706	19,888
Miscellaneous	16,001	24	-	110	16,135
Ag Ed Resource Guide expense	15,038	-	-	-	15,038
Telephone	11,202	-	-	-	11,202
Teacher Crisis fund	9,000	-	-	-	9,000
Printing	2,992	4,126	-	1,256	8,374
Depreciation	8,005	-	-	114	8,119
Staff training	7,268	-	-	-	7,268
Ideas Unlimited expenses	-	4,395	-	-	4,395
APT expense	-	-	-	4,074	4,074
OSMP expense	3,396	-	-	-	3,396
Committee expense	-	3,035	-	-	3,035
MSA expense	-	-	-	2,427	2,427
Teacher Mentor expenses	-	1,995	-	-	1,995
Plaques and trophies	-	1,607	-	-	1,607
Outstanding Young Members	1,340	-	-	-	1,340
Webinar expense	299	-	-	-	299
Professional development expense	214	-	-	-	214
Taxes and licenses	45	-	-	-	45
	<u>\$ 976,132</u>	<u>\$ 108,145</u>	<u>\$ 1,161,844</u>	<u>\$ 1,962,166</u>	<u>\$ 4,208,287</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2019

	General Expenses	Convention	FFA Foundation Projects	Case Program Expenses	Total
Vernier	\$ -	\$ -	\$ -	\$ 1,007,175	\$ 1,007,175
Salaries and contract labor	399,381	-	-	456,832	856,213
National Teach Ag Campaign	-	-	838,235	-	838,235
FFA Foundation projects	-	-	394,721	-	394,721
CI scholarships	-	-	-	236,303	236,303
Carthage	-	-	-	213,850	213,850
CASE travel	-	-	-	165,269	165,269
Promotion and marketing	15,229	12,670	-	116,905	144,804
PD-STEP 2018 expense	-	-	-	83,712	83,712
Officer and board travel	57,065	21,662	-	-	78,727
Insurance	49,571	-	-	-	49,571
Staff travel and meetings	22,991	20,683	-	-	43,674
Professional fees	17,900	-	-	24,935	42,835
Payroll and other taxes	36,170	-	-	5,142	41,312
Communities of practice	-	-	40,910	-	40,910
Employee benefits	58,885	-	-	-	58,885
Equipment rental and maintenance	-	36,165	-	-	36,165
Website expense	14,132	-	-	20,000	34,132
Scholarships	30,000	-	-	-	30,000
Miscellaneous	14,468	1,801	-	11,059	27,328
MSA expense	-	-	-	22,197	22,197
Postage	9,941	7,234	-	2,689	19,864
Teacher Crisis fund	16,850	-	-	-	16,850
Office supplies	15,500	-	-	626	16,126
Membership and contributions	15,860	-	-	-	15,860
Computer service	15,783	-	-	-	15,783
Ag Ed Summit expense	14,094	-	-	-	14,094
Technology expense	-	-	-	10,795	10,795
Rent	10,050	-	-	-	10,050
NPS expense	8,500	-	-	-	8,500
Printing	1,360	3,696	-	2,137	7,193
APT expense	-	-	-	5,719	5,719
Ideas Unlimited expenses	-	4,635	-	-	4,635
Depreciation	4,152	-	-	114	4,266
Teacher Mentor expenses	-	4,235	-	-	4,235
Telephone	4,064	-	-	-	4,064
Committee expense	-	3,350	-	-	3,350
Outstanding Young Members	1,900	-	-	-	1,900
OPAP expense	1,894	-	-	-	1,894
Staff training	1,868	-	-	-	1,868
Plaques and trophies	-	1,404	-	-	1,404
Registration - award	-	1,340	-	-	1,340
Webinar expense	408	-	-	-	408
Professional development expense	373	-	-	-	373
Taxes and licenses	288	-	-	-	288
	<u>\$ 838,677</u>	<u>\$ 118,875</u>	<u>\$ 1,273,866</u>	<u>\$ 2,385,459</u>	<u>\$ 4,616,877</u>

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 62,297	\$ 227,991
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,119	4,266
Realized losses (gains) on investments	-	7,747
Unrealized losses (gains) on investments	15,330	(11,795)
(Increase) decrease in operating assets:		
Accounts receivable	227,205	(78,217)
Prepaid expenses	(10,231)	65,469
Increase (decrease) in operating liabilities:		
Accounts payable	(190,220)	36,852
Accrued expenses	15,724	382
	<u>128,224</u>	<u>252,695</u>
Net cash provided by (used in) operating activities		
	<u>128,224</u>	<u>252,695</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(65,300)	(953)
Proceeds from sale of investments	7,707	9,535
Purchase of investments	(50,706)	(81,373)
	<u>(108,299)</u>	<u>(72,791)</u>
Net cash provided by (used in) investing activities		
	<u>(108,299)</u>	<u>(72,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	81,700	-
	<u>81,700</u>	<u>-</u>
Net cash provided by (used in) financing activities		
	<u>81,700</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,625	179,904
Cash and cash equivalents, beginning of year	<u>836,069</u>	<u>656,165</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 937,694</u>	<u>\$ 836,069</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

1. BACKGROUND OF THE 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Association's financial statements. The financial statements and accompanying notes are representations of the Association's management who is responsible for their integrity and objectivity.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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, 2020 and 2019 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.

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.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Support and Revenue

Contributions are recorded when received as without donor restrictions or donor restricted, depending on the existence or nature of any donor restrictions. When a donor restriction is met, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of program restrictions.

Membership Dues

Revenue for membership dues is recognized as earned throughout the term of membership. Dues that are paid in advance are included as unearned revenue.

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 2016.

Management's Review of Subsequent Events

The Association has evaluated and considered the need to recognize or disclose subsequent events through November 19, 2020, 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, 2020, have not been evaluated by the Association.

3. 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.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

3. INVESTMENTS (CONTINUED)

Investments, which are stated at fair market value, consisted of the following at June 30, 2020:

	Market Value	Cost	Cumulative Unrealized Gain (Loss)
Undesignated net assets			
Money market fund	\$ 6,214	\$ 6,214	\$ -
Equity mutual funds	792,586	661,157	131,429
Board designated net assets			
Money market fund	2,627	2,627	-
Equity mutual funds	<u>323,356</u>	<u>257,020</u>	<u>66,336</u>
Total investments	<u>\$1,124,783</u>	<u>\$ 927,018</u>	<u>\$ 197,765</u>

Investments, which are stated at fair market value, consisted of the following at June 30, 2019:

	Market Value	Cost	Cumulative Unrealized Gain (Loss)
Undesignated net assets			
Money market fund	\$ 5,304	\$ 5,304	\$ -
Equity mutual funds	779,396	638,174	141,222
Board designated net assets			
Money market fund	1,820	1,820	-
Equity mutual funds	<u>310,593</u>	<u>250,421</u>	<u>60,172</u>
Total investments	<u>\$ 1,097,113</u>	<u>\$ 895,719</u>	<u>\$ 201,394</u>

4. 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, 2020:

	Carrying Amount	Fair Value
Undesignated net assets:		
Money market fund	\$ 6,214	\$ 6,214
Equity mutual funds	792,586	792,586
Board designated net assets:		
Money market fund	2,627	2,627
Equity mutual funds	<u>323,356</u>	<u>323,356</u>
Total investments	<u>\$ 1,124,783</u>	<u>\$ 1,124,783</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

4. FAIR VALUE MEASUREMENTS (CONTINUED)

The estimated fair values of the Association's financial instruments are as follows for June 30, 2019:

	Carrying Amount	Fair Value
Undesignated net assets:		
Money market fund	\$ 5,304	\$ 5,304
Equity mutual funds	779,396	779,396
Board designated net assets:		
Money market fund	1,820	1,820
Equity mutual funds	<u>310,593</u>	<u>310,593</u>
 Total investments	 <u>\$ 1,097,113</u>	 <u>\$ 1,097,113</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2020	2019
Office equipment	\$ 760	\$ 5,529
Computer equipment	35,930	32,966
Furniture and fixtures	45,899	12,129
Leasehold improvements	8,430	-
CASE equipment	<u>1,140</u>	<u>1,140</u>
	92,159	51,764
Less: accumulated depreciation	<u>(26,024)</u>	<u>(42,809)</u>
 Property and equipment, net of accumulated depreciation	 <u>\$ 66,135</u>	 <u>\$ 8,955</u>

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association has not adopted a formal liquidity management plan. The Association continually reviews its financial assets and assesses if these financial assets are sufficient to meet cash needs for general expenditures. The Association's financial assets for this purpose include cash and cash equivalents, investments and accounts receivable. As of June 30, 2020 and 2019, financial assets available to meet cash needs for general expenditures within one year were \$2,410,085 and \$2,507,995 respectively.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

7. LONG-TERM DEBT

During fiscal year 2020, the Association qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), from a qualified lender, for an aggregate principal amount of \$81,700 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with a payment term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Association's request to extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs and utility payments incurred by the Association. To the extent that all or part of the PPP Loan is not forgiven, the Association will be required to repay the loan. Loan payments are deferred until either (1) the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for the loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The Association has not applied for loan forgiveness as of November 19, 2020. The Association intends to apply for forgiveness of the PPP Loan, and anticipates the entire balance of the loan will be forgiven; however, the actual amount that will be forgiven remains unknown as of the date of these financial statements.

8. NET ASSETS WITH DONOR RESTRICTIONS

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 donor restricted and can be used only for the CASE initiative. CASE donor restricted net assets were \$1,121,339 and \$1,087,590, as of June 30, 2020 and 2019, respectively.

9. 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 lease with University of Kentucky ended December 31, 2019.

Commencing January 1, 2020, the Association relocated to a new 3,081 square foot office space in Lexington, Kentucky. The lease term is for five years, with monthly lease payments increasing annually. In the first year monthly lease payments are \$4,814 per month, which escalate to \$5,071 per month in the final year of the agreement.

The Association incurred rent expense of \$45,619 and \$10,050 for the years ended June 30, 2020 and 2019, respectively.

The future minimum rental payments as of June 30, 2020 under non-cancellable lease obligations are as follows:

Fiscal year		
2021	\$	58,154
2022		58,924
2023		59,695
2024		60,465
2025		<u>30,425</u>
Total	\$	<u>267,663</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

10. 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, 2020 and 2019, were \$37,113 and \$36,070, 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.

11. SALES OF MERCHANDISE

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

	2020	2019
Gross revenues	\$ 6,496	\$ 12,341
Less related costs	<u>(10,483)</u>	<u>(5,974)</u>
Net income	<u>\$ (3,987)</u>	<u>\$ 6,367</u>

12. 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 2020 and 2019, the Association's cash in bank balances exceeded the federally insured limits. Cash balances of \$581,272 and \$491,058 were uninsured as of June 30, 2020 and 2019, respectively.

The Association's accounts receivable balance as of June 30, 2020 and 2019 was \$347,608 and \$574,813, 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, 2020 and 2019 was \$108,941 and \$86,491, 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.

13. COMMITMENTS

The Association has contracted with hotels for its 2020, 2021 and 2024 annual conferences. The contracts are subject to various cancellation penalties as well as minimum room usage. Cancellation penalties totaled \$126,362 as of June 30, 2020 for the 2020, 2021 and 2024 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. Due to the COVID-19 pandemic, in August 2020 the Association amended the contract for the 2020 annual conference, resulting in a commitment for the 2025 annual convention.

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14. NATIONAL FFA FOUNDATION SPECIAL PROJECTS

The Association conducts various initiatives on behalf of the National FFA Foundation. The FFA Foundation releases funds to the Association as they became available. These initiatives, or Special Projects of the National FFA Foundation, include:

- 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

15. COVID-19 PANDEMIC

In 2020, various restrictions have been placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of continued restrictions are uncertain as of the date of these financial statements. The Association is evaluating the impact of COVID-19 and related responses on the operations and finances of the Association. Restrictions on travel and in-person meetings could result in the cancellation or postponement of conferences, meetings, and events, as the Association works to comply with governmental guidelines. During the year ended June 30, 2020 the Association started conducting conferences virtually. The Association believes that this situation could impact revenues and expenses in the year ended June 30, 2021, however a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.