

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



**FINANCIAL STATEMENTS
December 31, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of National Association of Agricultural Educators, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Association of Agricultural Educators, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association of Agricultural Educators, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Association of Agricultural Educators, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association of Agricultural Educators, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

RFH

RFH, PLLC
Lexington, Kentucky
May 30, 2023

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENT OF FINANCIAL POSITION
for the year ended December 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 569,738
Investments	1,295,693
Accounts receivable	39,854
Inventory	5,000
Prepaid expenses	<u>1,267</u>
Total current assets	<u>1,911,552</u>
Noncurrent assets	
Property and equipment, net of accumulated depreciation	43,381
Right-of-use assets, net of accumulated amortization	<u>118,439</u>
TOTAL ASSETS	<u>\$ 2,073,372</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 397,550
Accrued expenses	35,272
Unearned revenue	233,997
Current portion of lease liabilities	<u>61,177</u>
Total current liabilities	<u>727,996</u>
Noncurrent liabilities	
Lease liabilities, less current portion	<u>58,010</u>
Total liabilities	<u>786,006</u>
Net assets	
Net assets without donor restrictions	
Undesignated	924,590
Board designated for special purposes	362,776
Net assets with donor restrictions	<u>-</u>
Total net assets	<u>1,287,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,073,372</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2022

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues

Membership dues	\$	508,901
FFA Foundation projects		1,197,040
Sponsorship and awards		53,380
Convention registration		194,555
CASE management fees		30,000
Interest and dividends, net		40,405
Other income		59,122
Merchandise sales, net		(6,239)
Lifetime membership dues		10,320
Teacher Crisis fund		24,298
Net unrealized gain (loss) on securities		(327,573)
Net assets released from restrictions		<u>4,241,322</u>
Total support and revenues		<u>6,025,531</u>

Expenses

General expenses		894,230
Convention		165,603
FFA Foundation projects		1,150,278
CASE program expenses		<u>4,241,322</u>
Total program expenses		<u>6,451,433</u>

Changes in net assets without donor restrictions		<u>(425,902)</u>
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NET ASSETS WITH DONOR RESTRICTIONS

CASE program income		2,964,271
Net assets released from restriction		<u>(4,241,322)</u>

Change in net assets with donor restrictions		<u>(1,277,051)</u>
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Change in net assets		(1,702,953)
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Net assets, beginning of year, restated		<u>2,990,319</u>
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NET ASSETS, END OF YEAR	\$	<u>1,287,366</u>
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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 December 31, 2022

	General Expenses	Convention	FFA Foundation Projects	Case Program Expenses	Total
Salaries and contract labor	\$ 405,460	\$ -	\$ -	\$ 615,730	\$ 1,021,190
Host payment refund expense	-	-	-	898,124	898,124
National Council for Agricultural Education	-	-	-	878,092	878,092
National Teach Ag Campaign	-	-	768,238	-	768,238
CI scholarships	-	-	-	511,010	511,010
Vernier	-	-	-	494,311	494,311
FFA Foundation projects	-	-	382,040	-	382,040
Carthage	-	-	-	238,593	238,593
Miscellaneous	19,977	2,083	-	217,144	239,204
CASE travel	-	-	-	170,008	170,008
Promotion and marketing	20,527	16,150	-	66,621	103,298
Technology expense	-	-	-	97,276	97,276
Officer and board travel	52,165	22,465	-	-	74,630
Rent	60,935	-	-	-	60,935
Employee benefits	48,549	-	-	9,616	58,165
Insurance	51,490	-	-	-	51,490
Staff travel and meetings	24,059	20,707	-	-	44,766
Payroll and other taxes	28,147	-	-	11,561	39,708
Equipment rental and maintenance	4,136	34,501	-	-	38,637
Trade show expense	-	33,482	-	-	33,482
Scholarships	28,500	-	-	-	28,500
Professional fees	27,504	-	-	-	27,504
Membership and contributions	16,821	6,500	-	-	23,321
Website expense	16,720	-	-	4,184	20,904
Office supplies	18,532	-	-	875	19,407
Telephone	18,005	-	-	-	18,005
Depreciation	12,831	-	-	209	13,040
Credit card fees	-	-	-	12,609	12,609
Postage	2,530	7,836	-	1,129	11,495
Teacher Crisis fund	9,300	-	-	-	9,300
Plaques and trophies	-	7,924	-	-	7,924
BriefCASE expense	-	-	-	6,139	6,139
Computer service	5,130	-	-	-	5,130
NPS event expense	5,075	-	-	-	5,075
Printing	1,062	1,206	-	2,632	4,900
Teacher Mentor expenses	-	4,100	-	-	4,100
Ideas Unlimited expenses	-	3,750	-	-	3,750
Regional conference	3,634	-	-	-	3,634
OMSP	3,498	-	-	-	3,498
Ag Ed Summit	2,808	-	-	-	2,808
Board operations	2,630	-	-	-	2,630
Probationary fee	-	-	-	2,400	2,400
Meal function expense	-	2,099	-	-	2,099
Host conference expense	-	-	-	1,999	1,999
Outstanding Young Members	1,750	-	-	-	1,750
TTTK	1,737	-	-	-	1,737
Committee expense	-	1,400	-	-	1,400
Registration - award	-	1,400	-	-	1,400
Professional development expense	162	-	-	675	837
Course development	-	-	-	385	385
Staff training	281	-	-	-	281
Ag Ed Resource Guide expense	260	-	-	-	260
Taxes and licenses	15	-	-	-	15
	<u>\$ 894,230</u>	<u>\$ 165,603</u>	<u>\$ 1,150,278</u>	<u>\$ 4,241,322</u>	<u>\$ 6,451,433</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
STATEMENT OF CASH FLOWS
for the year ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,702,953)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	13,040
Loss on disposal of property and equipment	1,466
Reduction in the carrying amount of right-of-use assets	60,214
Unrealized losses (gains) on investments	327,573
(Increase) decrease in operating assets:	
Accounts receivable	417,963
Prepaid expenses	179,027
Increase (decrease) in operating liabilities:	
Accounts payable	112,428
Accrued expenses	5,008
Unearned revenue	(6,497)
Lease liability	<u>(58,153)</u>
Net cash provided by (used in) operating activities	<u>(650,884)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(6,318)
Purchase of investments	<u>(41,550)</u>
Net cash provided by (used in) investing activities	<u>(47,868)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(698,752)
Cash and cash equivalents, beginning of year	<u>1,268,490</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 569,738</u>
Supplemental disclosures of cash flow information:	
Cash paid for interest	<u>\$ 2,096</u>
Cash paid for operating leases	<u>\$ 59,466</u>
Right-of-use assets obtained in exchange for lease liabilities	<u>\$ 1,313</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. BACKGROUND OF THE 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.

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 December 31, 2022 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
December 31, 2022

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.

Unearned Revenue

Unearned revenue consists of CASE event registrations collected prior to year-end for events taking place in the subsequent year, and membership dues collected in advance.

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 2018.

Leases

The Association determines if an arrangement is or contains a lease at inception. Lease right-of-use assets (ROU) are included in noncurrent assets on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Association does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Association has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards

In 2022, the Association adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Association elected not to restate the prior period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, The Association recognized right-of-use assets and lease liabilities of approximately \$179,000 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

Management's Review of Subsequent Events

The Association has evaluated and considered the need to recognize or disclose subsequent events through May 30, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2022, have not been evaluated by the Association.

3. REVENUE RECOGNITION

All performance obligations covered under the membership and associate agreements are satisfied on an annual basis ending June 30th. Any member dues collected between July 1 and December 31, have been deferred at 50% as unearned income as of December 31st. In the year ending December 31, 2022, the Association recognized revenue from member dues of \$508,901.

The conference registration revenue contains a single performance obligation and revenue is recognized at a single point in time when ownership, risks and rewards transfer. The Association's services are considered to be transferred to the customer when the specified event occurs. Convention is typically billed prior to the occurrence of the specified event. In the year ending December 31, 2022, the Association recognized revenue from convention registration revenue of \$194,555.

Grants are recorded as contributions based on criteria contained in the grant award. Grants are generally considered contributions as the resource provider (grantor) often receives value indirectly by providing a societal benefit that is not considered to be of commensurate value directly to the grantor. Grants that qualify as contributions are evaluated for conditions and recognized as revenue in accordance with ASC Topic 958. Unconditional awards are recognized as revenue when the award is received. Conditional grants received in which conditions have not been met are reported as unearned grant revenue. All grants are considered contributions. FFA Foundation projects totaled \$1,197,040 for the year ended December 31, 2022.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

3. REVENUE RECOGNITION (CONTINUED)

Contract Balances

The timing of revenue recognition, billings and cash collections related to conferences, meetings, and research services results in billed accounts receivable on the statement of financial position. The beginning and ending accounts receivable balances were as follows as of the years ending:

	December 31, 2022	December 31, 2021
Convention registration	\$ 39,727	\$ 457,690
Other	<u>127</u>	<u>127</u>
Total accounts receivable	<u>\$ 39,854</u>	<u>\$ 457,817</u>

Allowance for doubtful accounts was not recorded as of December 31, 2022, as management deemed all accounts receivable fully collectible.

The timing of revenue recognition, billings and cash collections related to CASE events and membership dues results in unearned revenue on the statement of financial position. The unearned revenue consists of payments received by the Association for the following calendar year events that have not yet occurred, and membership dues collected in advance. These liabilities will be liquidated when revenue is recognized. The beginning and ending unearned revenue contract balances were as follows:

	December 31, 2022	December 31, 2021
CASE program income	\$ -	\$ 57,174
Membership dues	<u>233,997</u>	<u>183,320</u>
Total unearned revenue	<u>\$ 233,997</u>	<u>\$ 240,494</u>

4. 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 December 31, 2022:

	Market Value	Cost	Cumulative Unrealized Gain (Loss)
Undesignated net assets			
Money market fund	\$ 11,394	\$ 11,394	\$ -
Equity mutual funds	921,523	763,832	157,691
Board designated net assets			
Money market fund	3,184	3,184	-
Equity mutual funds	<u>359,592</u>	<u>287,319</u>	<u>72,273</u>
Total investments	<u>\$1,295,693</u>	<u>\$1,065,729</u>	<u>\$ 229,964</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

4. INVESTMENTS (CONTINUED)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022:

Dividends and interest	\$ 53,492
Fees	(13,087)
Net unrealized (loss)	<u>(327,573)</u>
Total investment return	<u>\$ (287,168)</u>

5. 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 December 31, 2022:

	Carrying Amount	Fair Value
Undesignated net assets:		
Money market fund	\$ 11,394	\$ 11,394
Equity mutual funds	921,523	921,523
Board designated net assets:		
Money market fund	3,184	3,184
Equity mutual funds	<u>359,592</u>	<u>359,592</u>
Total investments	<u>\$ 1,295,693</u>	<u>\$ 1,295,693</u>

6. PROPERTY, EQUIPMENT, AND RIGHT-OF-USE ASSETS

Property and equipment consisted of the following as of December 31, 2022:

Office equipment	\$ 760
Computer equipment	36,294
Furniture and fixtures	45,899
Leasehold improvements	<u>8,430</u>
Total property and equipment	91,383
Less: accumulated depreciation	<u>(48,002)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 43,381</u>
Right-of-use (ROU) assets	178,653
Less: accumulated amortization	<u>(60,214)</u>
Right-of-use (ROU) assets, net of accumulated amortization	<u>\$ 118,439</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

7. 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 December 31, 2022, financial assets available to meet cash needs for general expenditures within one year were \$1,902,405.

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. During 2022, the Association passed a resolution that transferred the management responsibilities for the CASE initiative back to the Council. This resulted in a transfer of net assets to the Council for \$878,092. A payable of \$199,861 is still due to the Council as of December 31, 2022.

9. LEASES

The Association evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Association's right to use underlying assets for the lease term, and the lease liabilities represent the Association's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2022, was 1.37%.

The Association's operating leases consist of office space and equipment without any lease extension options.

For the year ended December 31, 2022, total operating lease cost was \$62,311. As of December 31, 2022, the weighted-average remaining lease term for the operating leases was approximately 2 years.

Future maturities of lease liabilities are presented in the following table, for the years ending December:

Calendar year	
2023	\$ 62,450
2024	58,149
2025	<u>275</u>
Total lease payments	120,874
Less interest	<u>(1,687)</u>
Present value of lease obligations	<u>\$ 119,187</u>

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 year ended December 31, 2022, were \$36,032, of which \$15,546 was paid with former employee forfeitures. 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.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

11. SALES OF MERCHANDISE

Sales of merchandise are presented net of direct costs. Gross revenues and related costs are as follows for 2022:

Gross revenues	\$ 7,616
Less related costs	<u>(13,855)</u>
Net income (loss)	<u><u>\$ (6,239)</u></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 the year ended December 31, 2022, the Association's cash in bank balances exceeded the federally insured limits. The cash balance of \$487,934 was uninsured as of December 31, 2022.

The Association's accounts receivable balance as of December 31, 2022 was \$39,854. The Association carries risk primarily with those accounts that are beyond 90 days past invoicing. The balance of these long-standing receivables as of December 31, 2022 was \$16,250. 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 2023, 2024, and 2025 annual conferences. The contracts are subject to various cancellation penalties as well as minimum room usage. Cancellation penalties totaled \$398,806 as of December 31, 2022. 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.

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 become 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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

15. RESTATEMENTS

Undesignated net assets without donor restrictions and net assets with donor restrictions have been restated as of December 31, 2021, to reflect reclassification of revenue received from the FFA Foundation prior to December 31, 2021, that was intended to be classified as CASE revenue. The restatement resulted in a decrease of \$232,000 of undesignated net assets without donor restrictions, and an increase in net assets with donor restrictions of \$232,000, as of December 31, 2021. The total net assets balance was not affected by the restatement as of December 31, 2021.

A restatement related to the recognition of membership dues revenue has been made as of December 31, 2021 resulting in an increase of unearned membership dues totaling \$183,320. Total net assets were adjusted as previously reported as follows as of December 31, 2021:

Nets assets as previously reported	\$ 3,173,639
Less restatement	<u>(183,320)</u>
Restated net assets	<u>\$ 2,990,319</u>