

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

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**FINANCIAL STATEMENTS  
December 31, 2021 and June 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of National Association of Agricultural Educators, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the six-month and twelve-month periods 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, 2021, and June 30, 2021, and the changes in its net assets and its cash flows for the six-month and twelve-month periods 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 Auditor's 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 auditor's 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  
April 29, 2022

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	December 31, 2021	June 30, 2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,268,490	\$ 1,469,622
Investments	1,583,029	1,514,451
Accounts receivable	457,817	285,512
Inventory	5,000	5,000
Prepaid expenses	180,294	33,068
Total current assets	3,494,630	3,307,653
Property and equipment, net of accumulated depreciation	51,569	58,014
<b>TOTAL ASSETS</b>	<b>\$ 3,546,199</b>	<b>\$ 3,365,667</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 285,122	\$ 92,693
Accrued expenses	30,264	47,535
Deferred revenue	57,174	-
Total current liabilities	372,560	140,228
Total liabilities	372,560	140,228
Net assets		
Net assets without donor restrictions		
Undesignated	1,674,305	1,673,035
Board designated for special purposes	454,283	433,772
Net assets with donor restrictions	1,045,051	1,118,632
Total net assets	3,173,639	3,225,439
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,546,199</b>	<b>\$ 3,365,667</b>

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

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**STATEMENTS OF ACTIVITIES**  
for the six months ended December 31, 2021  
and the year ended June 30, 2021

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<b>Revenues</b>		
Membership dues	\$ 373,390	\$ 430,340
FFA Foundation projects	699,784	1,419,177
Sponsorship and awards	30,850	25,250
Convention registration	147,435	70,082
CASE management fees	15,000	30,000
Interest and dividends, net	54,368	19,790
Other income	26,460	96,053
Merchandise sales, net	(3,598)	8,435
Lifetime membership dues	7,440	9,360
Teacher Crisis fund	11,534	10,905
PPP loan forgiven	-	81,700
Net unrealized gain (loss) on securities	2,448	363,348
Net realized gain (loss) on securities	11,917	6,770
Net assets released from restrictions	<u>1,505,960</u>	<u>1,500,829</u>
 Total support and revenues	 <u>2,882,988</u>	 <u>4,072,039</u>
<b>Expenses</b>		
General expenses	486,203	919,392
Convention	181,457	64,771
FFA Foundation projects	687,587	652,130
CASE program expenses	<u>1,505,960</u>	<u>1,500,829</u>
 Total program expenses	 <u>2,861,207</u>	 <u>3,137,122</u>
 Changes in net assets without donor restrictions	 <u>21,781</u>	 <u>934,917</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
CASE program income	1,432,379	1,498,122
Net assets released from restriction	<u>(1,505,960)</u>	<u>(1,500,829)</u>
 Change in net assets with donor restrictions	 <u>(73,581)</u>	 <u>(2,707)</u>
 <b>Change in net assets</b>	 <b>(51,800)</b>	 <b>932,210</b>
 Net assets, beginning of period	 <u>3,225,439</u>	 <u>2,293,229</u>
 <b>NET ASSETS, END OF PERIOD</b>	 <b><u>\$ 3,173,639</u></b>	 <b><u>\$ 3,225,439</u></b>

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

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
for the six months ended December 31, 2021

	General Expenses	Convention	FFA Foundation Projects	Case Program Expenses	Total
CI scholarships	\$ -	\$ -	\$ -	\$ 384,716	\$ 384,716
Salaries and contract labor	226,156	-	-	288,804	514,960
National Teach Ag Campaign	-	-	380,557	-	380,557
FFA Foundation projects	-	-	307,030	-	307,030
Vernier	-	-	-	299,152	299,152
Carthage	-	-	-	224,051	224,051
Probationary fee	-	-	-	137,777	137,777
Miscellaneous	20,343	68,028	-	15,000	103,371
CASE travel	-	-	-	56,712	56,712
Officer and board travel	25,096	27,346	-	-	52,442
Technology expense	-	-	-	44,356	44,356
Equipment rental and maintenance	1,412	41,131	-	-	42,543
Insurance	41,873	-	-	-	41,873
Promotion and marketing	11,987	1,199	-	28,357	41,543
Employee benefits	36,479	-	-	4,808	41,287
Staff travel and meetings	8,001	21,489	-	-	29,490
Rent	29,270	-	-	-	29,270
Payroll and other taxes	16,398	-	-	4,860	21,258
Teacher Crisis fund	11,050	-	-	-	11,050
Professional fees	9,787	-	-	-	9,787
Immersive expense	-	-	-	9,533	9,533
Postage	1,015	8,026	-	-	9,041
Website expense	8,100	-	-	-	8,100
Office supplies	6,386	-	-	1,179	7,565
Telephone	7,044	-	-	-	7,044
Depreciation	6,235	-	-	209	6,444
Scholarships	6,000	-	-	-	6,000
Computer service	5,050	-	-	-	5,050
Teacher Mentor expenses	-	5,005	-	-	5,005
Membership and contributions	4,745	-	-	-	4,745
Ideas Unlimited expenses	-	4,305	-	-	4,305
New project expense	-	-	-	3,269	3,269
Committee expense	-	2,450	-	-	2,450
Outstanding Young Members	1,868	-	-	-	1,868
Printing	1,250	133	-	363	1,746
Registration - award	-	1,484	-	-	1,484
Host conference expense	-	-	-	1,406	1,406
Course development	-	-	-	866	866
Plaques and trophies	-	861	-	-	861
Taxes and licenses	572	-	-	-	572
Credit card fees	-	-	-	254	254
BriefCASE expense	-	-	-	180	180
APT expense	-	-	-	108	108
Ag Ed Resource Guide expense	86	-	-	-	86
	<u>\$ 486,203</u>	<u>\$ 181,457</u>	<u>\$ 687,587</u>	<u>\$ 1,505,960</u>	<u>\$ 2,861,207</u>

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
for the year ended June 30, 2021

	General Expenses	Convention	FFA Foundation Projects	Case Program Expenses	Total
Salaries and contract labor	\$ 478,169	\$ -	\$ -	\$ 513,375	\$ 991,544
National Teach Ag Campaign	-	-	541,742	-	541,742
Vernier	-	-	-	422,713	422,713
CI scholarships	-	-	-	193,693	193,693
Employee benefits	103,082	-	-	9,715	112,797
Immersive expense	-	-	-	108,534	108,534
Carthage	-	-	-	97,309	97,309
FFA Foundation projects	-	-	69,478	-	69,478
Rent	58,346	-	-	-	58,346
Promotion and marketing	1,568	8,244	-	44,126	53,938
Payroll and other taxes	36,629	-	-	10,653	47,282
Miscellaneous	12,685	4,050	-	30,000	46,735
Insurance	46,390	-	-	-	46,390
Communities of practice	-	-	40,910	-	40,910
Equipment rental and maintenance	2,780	34,144	-	-	36,924
Scholarships	30,000	-	-	-	30,000
Technology expense	-	-	-	27,635	27,635
Professional fees	24,995	-	-	-	24,995
Teacher Crisis fund	20,850	-	-	-	20,850
Telephone	17,296	-	-	-	17,296
New projects expense	-	-	-	16,587	16,587
Membership and contributions	15,714	-	-	-	15,714
Office supplies	11,606	-	-	3,096	14,702
Computer service	14,491	-	-	-	14,491
Depreciation	12,659	-	-	304	12,963
Website expense	12,386	-	-	-	12,386
Software subscriptions expense	-	-	-	11,378	11,378
Postage	6,588	3,441	-	662	10,691
CASE travel	-	-	-	9,031	9,031
Staff travel and meetings	5,667	2,895	-	-	8,562
Officer and board travel	4,964	1,899	-	-	6,863
Committee expense	-	2,025	-	-	2,025
NPS event expense	1,900	-	-	-	1,900
Teacher Mentor expenses	-	1,703	-	-	1,703
OSC expense	-	1,687	-	-	1,687
Ideas Unlimited expenses	-	1,671	-	-	1,671
OC expense	-	1,655	-	-	1,655
Plaques and trophies	-	1,357	-	-	1,357
APT expense	-	-	-	1,332	1,332
Professional development expense	332	-	-	486	818
Printing	27	-	-	200	227
Staff training	223	-	-	-	223
Taxes and licenses	45	-	-	-	45
	<u>\$ 919,392</u>	<u>\$ 64,771</u>	<u>\$ 652,130</u>	<u>\$ 1,500,829</u>	<u>\$ 3,137,122</u>



**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**for the six months ended December 31, 2021**  
**and the year ended June 30, 2021**

	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (51,800)	\$ 932,210
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,444	12,963
Realized losses (gains) on investments	(11,917)	(6,770)
Unrealized losses (gains) on investments	(2,448)	(363,348)
(Increase) decrease in operating assets:		
Accounts receivable	(172,305)	62,096
Prepaid expenses	(147,226)	(15,166)
Increase (decrease) in operating liabilities:		
Accounts payable	192,429	31,706
Accrued expenses	(17,271)	(15,671)
Deferred revenue	57,174	-
	<u>(146,920)</u>	<u>638,020</u>
Net cash provided by (used in) operating activities		
	<u>(146,920)</u>	<u>638,020</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	-	(4,842)
Proceeds from sale of investments	7,315	12,281
Purchase of investments	(61,527)	(31,831)
	<u>(54,212)</u>	<u>(24,392)</u>
Net cash provided by (used in) investing activities		
	<u>(54,212)</u>	<u>(24,392)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Forgiveness of debt	-	(81,700)
	<u>-</u>	<u>(81,700)</u>
Net cash provided by (used in) financing activities		
	<u>-</u>	<u>(81,700)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(201,132)	531,928
Cash and cash equivalents, beginning of period	<u>1,469,622</u>	<u>937,694</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 1,268,490</u>	<u>\$ 1,469,622</u>

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

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and June 30, 2021**

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**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 December 31, 2021 and June 30, 2021 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, 2021 and June 30, 2021**

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**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.

**Deferred Revenue**

Deferred revenue consists of CASE event registrations collected prior to year-end for events taking place in the subsequent year.

**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 2017.

**Management's Review of Subsequent Events**

The Association has evaluated and considered the need to recognize or disclose subsequent events through April 29, 2022, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the periods ended December 31, 2021 and June 30, 2021, have not been evaluated by the Association.

**3. REVENUE RECOGNITION**

On July 1, 2020, the Association adopted ASC Topic 606, *Revenue from Contracts with Customers*. The standard was applied retrospectively for the year ended June 30, 2021. The Association has analyzed the provisions of ASC Topic 606, and have concluded that no changes are necessary to conform with the new standard.

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and June 30, 2021**

**3. REVENUE RECOGNITION (CONTINUED)**

The Association's member and lifetime member dues are billed on an annual basis ending December 31. All performance obligations covered under the membership and associate agreements are satisfied on an annual basis ending December 31. Any member or associate that joins the Association during the year is charged a pro-rated dues payment equal to the amount of time remaining in the calendar year. Dues payments are generally non-refundable. In the periods ending December 31, 2021 and June 30, 2021, the Association recognized revenue from member and lifetime member dues of \$380,830 and \$439,700, respectively.

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 periods ending December 31, 2021 and June 30, 2021, the Association recognized revenue from convention registration revenue of \$147,435 and \$70,082, respectively.

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.

**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 statements of financial position. The beginning and ending accounts receivable balances were as follows as of the periods ending:

	<b>December 31, 2021</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Convention & dues	\$ 457,690	\$ 285,385	\$ 347,481
Other	<u>127</u>	<u>127</u>	<u>127</u>
Total accounts receivable	<u>\$ 457,817</u>	<u>\$ 285,512</u>	<u>\$ 347,608</u>

Allowance for doubtful accounts was not recorded as of December 31, 2021 and June 31, 2021, as management deemed all accounts receivable fully collectible.

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

	<b>December 31, 2021</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
CASE program income	<u>\$ 57,174</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred revenue	<u>\$ 57,174</u>	<u>\$ -</u>	<u>\$ -</u>

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and June 30, 2021**

**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, 2021:

	<b>Market Value</b>	<b>Cost</b>	<b>Cumulative Unrealized Gain (Loss)</b>
Undesignated net assets			
Money market fund	\$ 6,751	\$ 6,751	\$ -
Equity mutual funds	1,121,995	737,314	384,681
Board designated net assets			
Money market fund	2,538	2,538	-
Equity mutual funds	<u>451,745</u>	<u>277,761</u>	<u>173,984</u>
Total investments	<u>\$1,583,029</u>	<u>\$1,024,364</u>	<u>\$ 558,665</u>

Investments, which are stated at fair market value, consisted of the following at June 30, 2021:

	<b>Market Value</b>	<b>Cost</b>	<b>Cumulative Unrealized Gain (Loss)</b>
Undesignated net assets			
Money market fund	\$ 4,617	\$ 4,617	\$ -
Equity mutual funds	1,076,062	681,914	394,148
Board designated net assets			
Money market fund	1,685	1,685	-
Equity mutual funds	<u>432,087</u>	<u>265,122</u>	<u>166,965</u>
Total investments	<u>\$1,514,451</u>	<u>\$ 953,338</u>	<u>\$ 561,113</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

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and June 30, 2021**

**5. 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 December 31, 2021:

	<b>Carrying Amount</b>	<b>Fair Value</b>
Undesignated net assets:		
Money market fund	\$ 6,751	\$ 6,751
Equity mutual funds	1,121,995	1,121,995
Board designated net assets:		
Money market fund	2,538	2,538
Equity mutual funds	<u>451,745</u>	<u>451,745</u>
Total investments	<u>\$ 1,583,029</u>	<u>\$ 1,583,029</u>

The estimated fair values of the Association's financial instruments are as follows for June 30, 2021:

	<b>Carrying Amount</b>	<b>Fair Value</b>
Undesignated net assets:		
Money market fund	\$ 4,617	\$ 4,617
Equity mutual funds	1,076,062	1,076,062
Board designated net assets:		
Money market fund	1,685	1,685
Equity mutual funds	<u>432,087</u>	<u>432,087</u>
Total investments	<u>\$ 1,514,451</u>	<u>\$ 1,514,451</u>

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Office equipment	\$ 760	\$ 760
Computer equipment	29,977	29,977
Furniture and fixtures	45,899	45,899
Leasehold improvements	8,430	8,430
CASE equipment	<u>3,234</u>	<u>3,234</u>
	88,300	88,300
Less: accumulated depreciation	<u>(36,731)</u>	<u>(30,286)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 51,569</u>	<u>\$ 58,014</u>

**NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.**  
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**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, 2021 and June 30, 2021, financial assets available to meet cash needs for general expenditures within one year were \$3,320,588 and \$3,269,585 respectively.

**8. 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 bore interest at a fixed rate of 1.0% per annum, with a payment term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Association's request to extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs and utility payments incurred by the Association. The Association applied for and was granted forgiveness in full on March 26, 2021, and \$81,700 has been recognized as revenue for the year ended June 30, 2021.

**9. 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 \$1,045,051 and \$1,118,632, as of December 31, 2021 and June 30, 2021, respectively.

**10. LEASE AGREEMENTS**

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 \$29,270 and \$58,346 for the periods ended December 31, 2021 and June 30, 2021, respectively.

The future minimum rental payments as of December 31, 2021 under non-cancellable lease obligations are as follows:

<b>Calendar year</b>		
2022	\$	59,309
2023		60,080
2024		<u>60,850</u>
Total	\$	<u>180,239</u>

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**11. 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 periods ended December 31, 2021 and June 30, 2021, were \$11,823 and \$44,904, 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.

**12. SALES OF MERCHANDISE**

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

	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Gross revenues	\$ 112	\$ 9,211
Less related costs	<u>(3,710)</u>	<u>(776)</u>
Net income (loss)	<u>\$ (3,598)</u>	<u>\$ 8,435</u>

**13. 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 periods ended December 31, 2021 and June 30, 2021, the Association's cash in bank balances exceeded the federally insured limits. Cash balances of \$1,064,544 and \$1,217,358 were uninsured as of December 31, 2021 and June 30, 2021, respectively.

The Association's accounts receivable balance as of December 31, 2021 and June 30, 2021 was \$457,817 and \$285,512, 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 December 31, 2021 and June 30, 2021 was \$346,920 and \$169,677, 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.

**14. COMMITMENTS**

The Association has contracted with hotels for its 2022, 2023, 2024, and 2025 annual conferences. The contracts are subject to various cancellation penalties as well as minimum room usage. Cancellation penalties totaled \$346,305 as of December 31, 2021. 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.



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**15. 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