

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

**FINANCIAL STATEMENTS
June 30, 2008 and 2007**

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INDEPENDENT AUDITORS' REPORT

Marc T. Ray, CPA-ABV

To The Board of Trustees of
National Association of Agricultural Educators, Inc.
Lexington, Kentucky

We have audited the accompanying statements of financial position of National Association of Agricultural Educators, Inc. (a non-profit organization) as of June 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association of Agricultural Educators, Inc. as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The supplementary information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the above financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements referred to above, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 12, 2008

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

ASSETS	2008	2007
Cash	\$ 73,022	\$ 135,827
Investments	549,402	496,673
Accounts receivable	62,608	30,817
Inventory	5,000	6,000
Prepaid expenses	19,792	15,292
Property and equipment, net of accumulated depreciation	<u>15,192</u>	<u>6,830</u>
Total Assets	<u>\$ 725,016</u>	<u>\$ 691,439</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 18,664	\$ 34,847
Accrued expenses	<u>25,766</u>	<u>19,053</u>
Total Liabilities	<u>44,430</u>	<u>53,900</u>
Net Assets		
Unrestricted		
Current operations	565,378	519,348
Board designated for special purposes	115,208	115,208
Temporarily Restricted	<u>-</u>	<u>2,983</u>
Total Net Assets	<u>680,586</u>	<u>637,539</u>
Total Liabilities and Net Assets	<u>\$ 725,016</u>	<u>\$ 691,439</u>

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

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

UNRESTRICTED NET ASSETS	2008	2007
Support		
Membership dues	\$ 420,170	\$ 428,536
Lifetime membership dues	9,020	6,750
Convention registration	105,215	78,870
FFA Foundation projects	162,101	171,324
Auction proceeds	1,811	2,386
Sponsorship and awards	51,825	28,450
Merchandise sales (net of costs)	515	1,130
Management fees	21,761	14,119
Teacher Crisis fund	1,307	7,743
Convention workshop	-	2,550
In-kind contributions	-	5,400
Net realized losses on securities	(42,718)	-
Net unrealized losses on securities	(23,046)	54,377
Interest and dividends	42,295	26,748
Other income	5,021	3,215
	<u>755,277</u>	<u>831,598</u>
Total Unrestricted Support	755,277	831,598
Net Assets Released from Restrictions	<u>3,713</u>	<u>-</u>
Total Unrestricted Support and Reclassifications	<u>758,990</u>	<u>831,598</u>
Expenses		
General expenses	481,537	473,082
Convention	69,322	39,208
FFA Foundation projects	162,101	171,324
	<u>712,960</u>	<u>683,614</u>
Total Expenses	<u>712,960</u>	<u>683,614</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>46,030</u>	<u>147,984</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions (legislative)	730	1,045
Net Assets Released from Restriction	<u>(3,713)</u>	<u>-</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(2,983)</u>	<u>1,045</u>
INCREASE IN NET ASSETS	43,047	149,029
Net assets, beginning of year	<u>637,539</u>	<u>488,510</u>
NET ASSETS, END OF YEAR	<u>\$ 680,586</u>	<u>\$ 637,539</u>

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

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 43,047	\$ 149,029
Adjustment to reconcile change in net assets to Net cash provided by operating activities:		
Depreciation	5,704	5,417
Unrealized losses on investments	23,046	(54,377)
Realized losses on investments	42,718	-
Interest and dividends on investments	(40,832)	(20,070)
(Increase) Decrease in Operating Assets:		
Accounts receivable	(31,791)	6,200
Inventory	1,000	(6,000)
Other assets	(4,500)	(4,805)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(16,183)	(1,119)
Accrued expenses	6,713	1,309
	<u>28,922</u>	<u>75,584</u>
Net Cash From Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(14,066)	(810)
Transfer from cash account to investments	<u>(77,661)</u>	<u>(69,372)</u>
	<u>(91,727)</u>	<u>(70,182)</u>
Net Cash (Used in) Investing Activities		
NET INCREASE (DECREASE) IN CASH	(62,805)	5,402
Cash, beginning of year	<u>135,827</u>	<u>130,425</u>
CASH, END OF YEAR	<u>\$ 73,022</u>	<u>\$ 135,827</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of 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 vocational agricultural teachers through membership in a national organization devoted exclusively to their interests; to provide an opportunity for agricultural teachers to discuss problems affecting agricultural education on a national level; to serve state or local organizations of agricultural teachers in the solution of problems which may arise; to cooperate with American Vocational Association in furthering the cause of vocational education; to cooperate with education entities in furthering the mission of agricultural education in order to provide a dynamic education system.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting using generally accepted accounting principles. The significant accounting policies, as described below, are presented to clarify the Association's financial statements.

Financial Statement Presentation

The Association adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions

The Association also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Association charges its members for membership dues according to a set fee structure. The Association anticipates all of its accounts receivable at June 30, 2008 to be fully collectible.

Investments

The Association has adopted Statement of Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." This standard requires that the Association report investments at fair value rather than historical or amortized cost. Fair value is based on quoted market prices. Realized gains and losses on the sale of investments are computed using the specific cost of the investment sold.

Property and Equipment

Property and equipment are carried at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Inventory

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

Income Tax Exemption

The Association is exempt from federal income taxes under the provisions of IRC 501(c)(3) of the Internal Revenue Code.

NOTE 2 - INVESTMENTS

Investments are composed of three accounts, each of which operates under different restrictions. The purpose of the Operating Reserve Account is to provide funding for both long and short-term projects, special initiatives, and to provide for shortfalls in the operating budget of the Association. Funds are not restricted as to use except that they are used for the benefit of the Association and its membership. The purpose of the Life Membership Account is to properly account for and segregate those funds that are received from members for lifetime memberships. The principal amounts paid as lifetime memberships are designated by the board of directors and cannot be accessed by the Association. Investment earnings from these memberships are used to provide for goods and services to the Association's membership. The Legislative Account funds and supports non-partisan issues that have an impact on agricultural education. No funds are used in the active support of a particular candidate.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 2 – INVESTMENTS (CONTINUED)

At June 30, 2008, the investment portfolio was comprised of debt and equity securities classified as available for sale. Investments considered available for sale are recorded in the financial statements at fair value.

Realized gains and losses on the sale of securities are based on original cost, and are included in the Statement of Activities. Realized losses for the period ending June 30, 2008 total \$42,718.

Investments, which are stated at fair market value, consisted of the following at June 30, 2008:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain(Loss)</u>
Unrestricted net assets			
Money market funds	\$ 141,796	\$ 84,912	\$ 6,884
Equity mutual funds	314,142	351,523	(37,381)
Money market funds-legislative	363	363	-
Board designated net assets			
Money market funds	29,388	29,388	-
Equity mutual funds	<u>63,713</u>	<u>85,025</u>	<u>(21,312)</u>
Total investments	<u>\$ 549,402</u>	<u>\$ 551,211</u>	<u>\$ (1,809)</u>

Investments, which are stated at fair market value, consisted of the following at June 30, 2007:

	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain(Loss)</u>
Unrestricted net assets			
Money market fund	\$ 5,769	\$ 1,711	\$ 4,057
Certificate of deposit	24,983	25,000	(17)
Equity mutual funds	373,088	351,946	21,143
Board designated net assets			
Money market funds	5	5	-
Equity mutual funds	92,478	96,428	(3,950)
Temporarily restricted net assets			
Money market funds	<u>350</u>	<u>346</u>	<u>4</u>
Total investments	<u>\$ 496,673</u>	<u>\$ 475,436</u>	<u>\$ 21,237</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Office equipment	\$ 10,404	\$ 8,399
Computer equipment	46,554	34,493
Furniture and fixtures	<u>11,380</u>	<u>11,380</u>
	68,338	54,272
Less: accumulated depreciation	<u>(53,146)</u>	<u>(47,442)</u>
Net property and equipment	<u>\$ 15,192</u>	<u>\$ 6,830</u>

NOTE 4 - DESIGNATED NET ASSETS

Unrestricted net assets have been set aside by the Board of Directors for the investment of lifetime memberships as of June 30, 2008 and June 30, 2007 in the amount of \$115,208.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the support of non-partisan legislative issues at June 30, 2008 and June 30, 2007 are \$0 and \$1,938, respectively.

NOTE 6 - DONATED FACILITIES

As of July 1, 2003, the Association had moved its offices to the Commonwealth of Kentucky on the University of Kentucky campus. The University was provided office space at no cost to the Association for a period of four years. Both income and the related expense for the period ended are reported on the related Statement of Activities at a value of \$5,400. This arrangement was terminated June 30, 2007.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 7 – LEASE AGREEMENTS

Effective July 1, 2007, the Association entered into a one-year operating lease agreement with the Commonwealth of Kentucky to rent its office space for \$625 per month. The lease was extended through June 30, 2009.

Minimum future lease payments through June 30, 2009 are \$7,500.

NOTE 8 - EMPLOYEE BENEFITS

On January 1, 2001, the Association sponsored a 401(k) plan, covering employees meeting certain minimum participation requirements. The Association's contributions to the plan, for the years ended June 30, 2008 and 2007 were \$10,974 and \$9,670, respectively. Association contributions to this plan are determined by the Association's board of directors and are allocated to eligible employees based on their annual compensation.

NOTE 9 - SPECIAL FUNDRAISING EVENTS

The special fundraising events are presented net of associated costs. Gross revenues and related costs are as follows:

	<u>2008</u>	<u>2007</u>
<u>Host State Social</u>		
Gross revenues	\$ -	\$ 7,075
Less related costs	<u>-</u>	<u>7,075</u>
Net income	<u>\$ -</u>	<u>\$ -</u>

NOTE 10 - SALES OF MERCHANDISE

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

	<u>2008</u>	<u>2007</u>
Gross revenues	\$ 8,689	\$ 6,214
Less related costs	<u>8,174</u>	<u>5,084</u>
Net income	<u>\$ 515</u>	<u>\$ 1,130</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 11 - Concentrations of Credit Risk

At various times during the fiscal year, the Association's cash in bank balances exceeded the federally insured limits. At June 30, 2008 and June 30, 2007, the Association's uninsured cash balances totaled \$30,358 and \$65,357, respectively.

NOTE 12 - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 13 - Reclassifications

Certain reclassifications have been made to the 2007 financial statements in order to conform to the 2008 presentation with no effect on previously reported results of activities or net assets.

SUPPLEMENTARY INFORMATION

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2008

	General Expenses	Convention	FFA Foundation Projects	Total
Ag Ed Opportunity fund	\$ 10,000	\$ -	\$ -	\$ 10,000
Bank charges	25			25
Committee expense		364		364
Computer service	1,670			1,670
CP expenses		2,015		2,015
Depreciation	5,704			5,704
Employee benefits	31,735			31,735
Equipment rental and maintenance		10,337		10,337
FFA Foundation projects			162,101	162,101
Ideas Unlimited expenses		4,773		4,773
Insurance	42,849			42,849
Meal functions		9,155		9,155
Membership and contributions	11,557			11,557
Merchandise and diaries	2,411			2,411
Miscellaneous	345	729		1,074
NPS expense	9,835			9,835
Office supplies	7,264			7,264
Officer and board travel	30,169	15,160		45,329
Payroll and other taxes	15,635			15,635
Photocopying	17			17
Plaques and trophies		2,439		2,439
Postage	4,520	4,518		9,038
Printing	5,216	1,400		6,616
Professional fees	18,958			18,958
Promotion and marketing	13,955	2,023		15,978
Registration-awards		1,300		1,300
Rent	7,500			7,500
Salaries	212,272			212,272
Scholarships	10,500			10,500
Staff training	849			849
Staff travel and meetings	31,353	11,409		42,762
Taxes and licenses	4			4
Teacher Crisis fund	2,500			2,500
Teacher Mentor expenses		3,700		3,700
Telephone	3,633			3,633
Webinar expense	1,061	-	-	1,061
	<u>\$ 481,537</u>	<u>\$ 69,322</u>	<u>\$ 162,101</u>	<u>\$ 712,960</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2007

	General Expenses	Convention	FFA Foundation Projects	Total
Ag Ed Opportunity fund	\$ 15,000	\$ -	\$ -	\$ 15,000
Bad debt expense	4,696			4,696
Bank charges	26			26
Committee expense		1,277		1,277
Computer service	285			285
Depreciation	5,417			5,417
Employee benefits	29,152			29,152
Equipment rental and maintenance		275		275
FFA Foundation projects			171,324	171,324
Ideas Unlimited expenses		3,180		3,180
Insurance	42,755			42,755
Meal functions		10,089		10,089
Membership and contributions	11,503			11,503
Merchandise and diaries	14,723			14,723
Miscellaneous		323		323
NPS expense	4,458			4,458
Office supplies	4,544			4,544
Officer and board travel	40,572	9,629		50,201
Payroll and other taxes	14,941			14,941
Photocopying	40			40
Photography		367		367
Plaques and trophies		1,803		1,803
Postage	3,430	154		3,584
Printing	4,882	944		5,826
Professional fees	11,100			11,100
Promotion and marketing	9,389			9,389
Registration-awards		1,740		1,740
Rent	5,400			5,400
Salaries	205,703			205,703
Scholarships	10,500			10,500
Staff training	1,034			1,034
Staff travel and meetings	19,208	4,160		23,368
Taxes and licenses	154			154
Teacher Crisis fund	5,000			5,000
Teacher Mentor expenses		4,774		4,774
Telephone	3,744			3,744
Travel, other	1,918	493		2,411
Workshops and tents	3,508	-	-	3,508
	<u>\$ 473,082</u>	<u>\$ 39,208</u>	<u>\$ 171,324</u>	<u>\$ 683,614</u>