

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

**FINANCIAL STATEMENTS
June 30, 2010 and 2009**

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rfh Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Stephen R. Allen, CPA/PFS
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INDEPENDENT AUDITORS' REPORT

J. Carroll Luby, CPA

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, 2010 and 2009 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, 2010 and 2009 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 10 and 11 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
October 25, 2010

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

ASSETS	2010	2009
Cash	\$ 27,393	\$ 51,262
Investments	546,830	455,728
Accounts receivable	93,741	68,794
Inventory	5,000	5,000
Prepaid expenses	8,317	10,691
Property and equipment, net of accumulated depreciation	<u>10,708</u>	<u>11,194</u>
 Total Assets	 <u>\$ 691,989</u>	 <u>\$ 602,669</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 51,624	\$ 18,047
Accrued expenses	<u>30,428</u>	<u>26,618</u>
 Total Liabilities	 <u>82,052</u>	 <u>44,665</u>
Net Assets		
Unrestricted		
Current operations	471,067	439,776
Board designated for special purposes	118,808	117,068
Temporarily Restricted	<u>20,062</u>	<u>1,160</u>
 Total Net Assets	 <u>609,937</u>	 <u>558,004</u>
 Total Liabilities and Net Assets	 <u>\$ 691,989</u>	 <u>\$ 602,669</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	2010	2009
Support		
Membership dues	\$ 430,364	\$ 417,922
FFA Foundation projects	189,299	137,652
Convention registration	85,392	77,051
Sponsorship and awards	63,979	39,200
Other income	26,546	31,312
Interest and dividends	7,778	9,965
Merchandise sales (net of costs)	5,542	752
Lifetime membership dues	1,740	1,860
Auction proceeds	1,667	2,146
Teacher Crisis fund	1,196	1,681
Management fees	-	6,332
Convention workshop	-	1,215
Net unrealized gains (losses) on securities	103,945	(123,524)
Net realized gains (losses) on securities	(60,186)	-
Net Assets Released from Restrictions	<u>25,148</u>	<u>-</u>
 Total Unrestricted Support	 882,410	 603,564
Expenses		
General expenses	533,822	514,675
Convention	86,889	57,602
FFA Foundation projects	203,520	155,029
Case program expenses	<u>25,148</u>	<u>-</u>
 Total Expenses	 <u>849,379</u>	 <u>727,306</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 <u>33,031</u>	 <u>(123,742)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Legislative contributions	700	1,160
Case program income	43,350	-
Net Assets Released from Restriction	<u>(25,148)</u>	<u>-</u>
 INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>18,902</u>	 <u>1,160</u>
 CHANGE IN NET ASSETS	 51,933	 (122,582)
Net assets, beginning of year	<u>558,004</u>	<u>680,586</u>
 NET ASSETS, END OF YEAR	 <u>\$ 609,937</u>	 <u>\$ 558,004</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,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 51,933	\$ (122,582)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,718	6,654
Unrealized (gains) losses on investments	(103,945)	123,524
(Increase) Decrease in Operating Assets:		
Accounts receivable	(24,947)	(6,186)
Prepaid expenses	2,374	9,101
Increase (Decrease) in Operating Liabilities:		
Accounts payable	33,577	(617)
Accrued expenses	<u>3,810</u>	<u>852</u>
Net Cash (Used In) Provided by Operating Activities	<u>(30,480)</u>	<u>10,746</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(6,232)	(2,656)
Proceeds from sale of investments	404,681	259,604
Purchase of investments	(352,273)	(269,419)
Transfer from cash account to investments	<u>(39,565)</u>	<u>(20,035)</u>
Net Cash Provided By (Used in) Investing Activities	<u>6,611</u>	<u>(32,506)</u>
NET (DECREASE) IN CASH	(23,869)	(21,760)
Cash, beginning of year	<u>51,262</u>	<u>73,022</u>
CASH, END OF YEAR	<u>\$ 27,393</u>	<u>\$ 51,262</u>

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

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Association

National Association of Agricultural Educators, Inc. (the Association) was incorporated in the state of California in 1952. The objectives of the Association are as follows: to assume and maintain national leadership in the promotion and furtherance of all levels of agricultural education; to bring together vocational agricultural teachers through membership in a national Association 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 Associations 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.

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 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.

Financial Statement Presentation

The Association prepares its financial statements in accordance with generally accepted accounting principles for non-profit Organizations, which require the Association to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

- a) Unrestricted net assets encompass the portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- b) Temporarily restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations.
- c) Permanently restricted net assets are the net assets resulting from contributions whose use by the Association is limited by the donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions, restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

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, 2010 to be fully collectible.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES, continued

Investments

The Association reports investments at fair market value rather than historical or amortized cost. Fair market 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.

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 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.

Investments are recorded at fair market value in accordance with generally accepted accounting principles. The net realized and unrealized gains or losses on investments are recorded in the Statement of Activities by classification of the assets.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 2 – INVESTMENTS (CONTINUED)

Investments, which are stated at fair market value, consisted of the following at June 30, 2010:

	<u>Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Unrestricted net assets			
Money market fund	\$ 71,121	\$ 71,121	\$ -
Corporate Bonds	51,379	51,298	81
Equity mutual funds	314,583	341,590	(27,007)
Board designated net assets			
Money market funds	23,440	23,440	-
Equity mutual funds	85,939	80,401	5,538
Temporarily restricted net assets			
Money market funds	<u>368</u>	<u>368</u>	<u>-</u>
Total investments	<u>\$ 546,830</u>	<u>\$ 568,218</u>	<u>\$ (21,388)</u>

Investments, which are stated at fair market value, consisted of the following at June 30, 2009:

	<u>Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Unrestricted net assets			
Money market fund	\$ 57,569	\$ 57,569	\$ -
Corporate Bonds	49,261	49,604	(343)
Equity mutual funds	271,078	384,070	(112,992)
Board designated net assets			
Money market funds	30,000	30,000	-
Equity mutual funds	47,452	59,450	(11,998)
Temporarily restricted net assets			
Money market funds	<u>368</u>	<u>368</u>	<u>-</u>
Total investments	<u>\$ 455,728</u>	<u>\$ 581,061</u>	<u>\$ (125,333)</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

- Investments: The fair value of investments is based on quoted market prices for those or similar investments.

The estimated fair values of the Association's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments	\$ 546,830	\$ 546,830

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Office equipment	\$ 11,581	\$ 10,404
Computer equipment	54,266	49,210
Furniture and fixtures	<u>11,380</u>	<u>11,380</u>
	77,227	70,994
Less: accumulated depreciation	<u>(66,519)</u>	<u>(59,800)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 10,708</u>	<u>\$ 11,194</u>

NOTE 5 - 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, 2010 and June 30, 2009 in the amount of \$118,808 and \$117,068, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Non-partisan lobbying	\$ 1,860	\$ 1,160
CASE Project	<u>18,202</u>	<u>-</u>
Total	<u>\$ 20,062</u>	<u>\$ 1,160</u>

NOTE 7 – CASE PROJECT

The Curriculum for Agricultural Science Education (CASE) initiative is a project of the National Council for Agricultural Education (The Council). The Council passed a resolution that transferred the management responsibilities for the CASE initiative to the Association. The Association has established accounting procedures and codes for CASE such that all CASE revenue and expenses are identified separately within the Association financial records. CASE net assets are classified as temporarily restricted and can be used only for the CASE initiative.

NOTE 8 – 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 is renewable annually, and was extended through June 30, 2011.

Minimum future lease payments through June 30, 2011 are \$7,500.

NOTE 9 – EMPLOYEE BENEFITS

The Association sponsors a 401(k) plan, covering employees meeting certain minimum participation requirements. The Association's contributions to the plan, for the years ended June 30, 2010 and 2009 were \$15,104 and \$12,537, 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.

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 10 – SPECIAL FUNDRAISING EVENTS

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

<u>Host State Social</u>	<u>2010</u>	<u>2009</u>
Gross revenues	\$ 8,572	\$ 8,424
Less related costs	<u>(8,572)</u>	<u>(8,424)</u>
Net income	<u>\$ -</u>	<u>\$ -</u>

NOTE 11 – SALES OF MERCHANDISE

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

	<u>2010</u>	<u>2009</u>
Gross revenues	\$ 9,676	\$ 10,335
Less related cost	<u>(4,134)</u>	<u>(9,583)</u>
Net income	<u>\$ 5,542</u>	<u>\$ 752</u>

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

At various times during the fiscal year 2009, the Association's cash in bank balances exceeded the federally insured limits. At June 30, 2010 and June 30, 2009, the Association's cash balances were fully insured.

The Association's accounts receivable balance as of June 30, 2010 and 2009 was \$93,741 and \$68,794, 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, 2010 and 2009 was \$21,715 and \$36,524, 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.

NOTE 13 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2009 financial statements in order to conform to the 2010 presentation with no effect on previously reported results of activities or net assets.

NOTE 14 – SUBSEQUENT EVENTS

The Association has evaluated and considered the need to recognize or disclose subsequent events through October 25, 2010, 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, 2010, have not been evaluated by the Association.

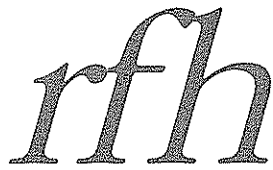
SUPPLEMENTARY INFORMATION

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2010

	General <u>Expenses</u>	<u>Convention</u>	FFA Foundation <u>Projects</u>	Case Program <u>Expenses</u>	<u>Total</u>
Salaries	\$ 239,124	\$ -	\$ -	\$ -	\$ 239,124
FFA Foundation projects			203,520		203,520
Officer and board travel	44,766	15,629			60,395
Insurance	44,671				44,671
Staff travel and meetings	31,887	9,375			41,262
Employee benefits	36,331				36,331
Meal functions		34,891			34,891
Promotion and marketing	25,598	516			26,114
Payroll and other taxes	18,380				18,380
Professional fees	12,400			1,640	14,040
Membership and contributions	11,283				11,283
Scholarships	11,250				11,250
Equipment rental and maintenance		8,616			8,616
Vermier				8,308	8,308
Rent	7,500				7,500
NPS expense	7,397				7,397
Office supplies	6,786				6,786
Depreciation	6,718				6,718
Postage	5,885	583		161	6,629
Communities of practice	6,416				6,416
Field test				5,879	5,879
Printing	2,290	3,416		39	5,745
Telephone	5,000				5,000
CASE travel				4,829	4,829
Bad debt expense	4,500				4,500
Carthage				4,292	4,292
Teacher Mentor expenses		3,785			3,785
Ideas Unlimited expenses		3,725			3,725
Committee expense		2,528			2,528
Bank charges	1,654				1,654
Miscellaneous		1,503			1,503
Teacher Crisis fund	1,500				1,500
Plaques and trophies		1,467			1,467
Webinar expense	1,188				1,188
Registration-awards		855			855
Computer service	713				713
Staff training	522				522
Taxes and licenses	48				48
Photocopying	15				15
	<u>\$ 533,822</u>	<u>\$ 86,889</u>	<u>\$ 203,520</u>	<u>\$ 25,148</u>	<u>\$ 849,379</u>

NATIONAL ASSOCIATION OF AGRICULTURAL EDUCATORS, INC.
SCHEDULE OF EXPENSES
for the year ended June 30, 2009

	General <u>Expenses</u>	<u>Convention</u>	FFA Foundation <u>Projects</u>	<u>Total</u>
Salaries	\$ 223,751	\$ -	\$ -	\$ 223,751
FFA Foundation projects			155,029	155,029
Officer and board travel	47,719	8,006		55,725
Insurance	41,920			41,920
Promotion and marketing	32,189	1,840		34,029
Staff travel and meetings	25,787	6,951		32,738
Employee benefits	30,297			30,297
Payroll and other taxes	16,780			16,780
Membership and contributions	13,775			13,775
Professional fees	13,345			13,345
Meal functions		12,845		12,845
Scholarships	11,250			11,250
Printing	5,910	3,847		9,757
Rent	7,500			7,500
Depreciation	6,654			6,654
Merchandise and diaries	6,594			6,594
NPS expense	6,462			6,462
Equipment rental and maintenance		5,971		5,971
Office supplies	5,368			5,368
Postage	4,493	658		5,151
Teacher Mentor expenses		4,575		4,575
Ideas Unlimited expenses		4,110		4,110
Communities of practice	3,960			3,960
Telephone	3,957			3,957
Plaques and trophies		3,841		3,841
Webinar expense	3,003			3,003
Registration-awards		2,435		2,435
Computer service	1,986			1,986
Committee expense		1,228		1,228
Teacher Crisis fund	1,000			1,000
Tour expense		702		702
Staff training	590			590
Workshops		565.00		565
Bank charges	254			254
Photocopying	63			63
Taxes and licenses	60			60
Miscellaneous	8	28		36
	<u>\$ 514,675</u>	<u>\$ 57,602</u>	<u>\$ 155,029</u>	<u>\$ 727,306</u>



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Stephen R. Allen, CPA/PFS
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J. Carroll Luby, CPA

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

We have audited the financial statements of National Association of Agricultural Educators, Inc. (the Association) for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 4, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by National Association of Agricultural Educators, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2010. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of the audit procedures were corrected by management:

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Accounts payable related to credit card charges had not been accrued at year end. The adjustment increased fiscal year 2010 expenses by \$21,282, and was primarily related to the CASE program. Similarly, in past years credit card charges outstanding have not been accrued. However due to the magnitude of the outstanding charges, an adjustment was determined necessary.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2010.

Management Consultations with Other Independent Accountants

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

Auditor Retention

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

Other Matters

In performing our analytical review of expenditures, we found that an excess amount was being paid into employee plans. The errors resulted in the Association paying in additional funds, while the employee portion of the contribution was correctly handled. The excess amount paid into the plans was \$6,223, which has been booked as a prepaid expense as of June 30, 2010. Currently management is working with the plan administrator to determine the best avenue for correcting the errors.

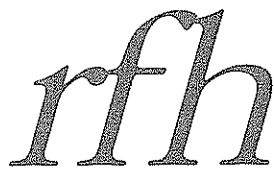
Currently the Association does not have a written policy for credit cards. Currently, no supporting documentation is being retained other than the credit card statements themselves. Documentation for expenses should always establish existence and validity of the expense. We suggest that the Association adopt a policy outlining valid expenditures and the documentation required with those expenditures. In addition, we believe that a designated board member should review the statements on a periodic basis. This not only acts as an additional control measure, but also protects the employees if any expenses are questioned in the future.

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

Very truly yours,

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
October 25, 2010



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

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To the Board of Trustees
National Association of Agriculture Educators, Inc.
Lexington, Kentucky

J. Carroll Luby, CPA

In planning and performing our audit of the financial statements of National Association of Agriculture Educators, Inc. as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered National Association of Agriculture Educators, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, the Stockholders, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
October 25, 2010

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