

FFA FOUNDATION

S.L. 2011-145

STATE-AID REPORTING REQUIREMENTS

SECTION 14.10.

DUE DATE: SEPTEMBER 1, 2012

DATE SUBMITTED: AUGUST 28, 2012

RECEIVING ENTITY: FFA FOUNDATION/NORTH CAROLINA FFA CENTER

SUBMITTING ENTITY: FFA FOUNDATION

North Carolina FFA Foundation

The North Carolina FFA Foundation provides financial support and public awareness for agricultural education and FFA. The North Carolina FFA Foundation raises funds to recognize FFA student achievements in North Carolina's middle schools and high schools. Those funds support activities at the local, state and national levels.

North Carolina FFA Center

The North Carolina FFA Center established in the 1920s as the Young Tar Heel Farmers Camp was one of the first of its kind in the United States. The camp was purchased when a group of vocational agriculture teachers "chipped in" \$10 each to purchase seven acres of lake front property in Bladen County. FFA members and their adult advisors have met at the camp every summer since 1920 with the exception of 1943 and 1944, when the camp was closed due to World War II. Later, the White Lake property became one of three FFA camps in North Carolina. Today, the Center is the location of the state's only official FFA camp and is commemorated by a state highway historical marker. A State Agricultural Education/FFA museum is located in the FFA Alumni Building located on the property. While attending leadership programs at the facility, students participate in leadership and personal development programs, recreational activities and educational seminars. The Center is used annually to host the official State FFA Leadership Conference, provide FFA officer training, FFA alumni activities and much more. The FFA was founded in 1928 as the Future Farmers of America. FFA's mission is to make a positive difference in the lives of students by developing their potential for **premier leadership, personal growth and career success** through agricultural education.

2011-2012 Appropriation from the North Carolina General Assembly: \$37,531.00

(100% of the \$37,531.00 appropriations from the North Carolina General Assembly was used to offset the cost of the construction of a new dining hall and recreational facility at the North Carolina FFA Center. The costs of these new facilities have been amortized over 15 years.)

2011-2012 North Carolina FFA Center Numbers

Number of FFA members that used the facility: 1500+

Number of weeks FFA members used the facility: 6

Names of civic groups, businesses, organizations that used the Center this past year:

Cycle North Carolina Bike Ride, North Carolina Cooperative Council, Prestage Farms, Southeast Regional Medical Center, Set Up, Inc. (Triathlon), 95th Civil Affairs Brigade-Ft. Bragg, several local churches, community groups, and families from across North Carolina.

Operating Dates: May 1st – October 6

Original Loan Amount: \$550,000.00 **Balance (8/27/2012):** \$428,633.84

Total Amount paid to date (8/27/2012): \$121,366.16

Annual Amount Paid for Debt Service (2011-2012): \$55,354.08

(remaining balance not paid for from funds provided by the North Carolina General Assembly are paid from revenue generated from fees charged to rental groups, students and teachers.)

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Accrual Basis

NC FFA Center

Profit & Loss Budget vs. Actual

September 2011 through August 2012

	Sep '11 - Aug 12	Budget
Ordinary Income/Expense		
Income		
1000 · FFA Center Income		
1001 · FFA Camping Program Income	243,505.00	210,000.00
1002 · Nonrefundable Deposits Camp	800.00	
1003 · Facility Rentals	101,946.68	85,000.00
1003A · Nonrefundable Deposits - Rental	1,437.00	
1004 · SLC	43,995.00	50,000.00
Total 1000 · FFA Center Income	391,683.68	345,000.00
1001A · Donation-H. Cabin Restoration	400.00	
2000 · Store		
2001 · Vending & Store Sales	16,634.85	11,000.00
Total 2000 · Store	16,634.85	11,000.00
3002 · Interest	655.08	
3500 · Ag Ed Induction Conference	2,250.00	
43000 · Foundation Support	44,154.00	44,250.00
43400 · Direct Public Support		
43450 · Individ, Business Contributions	100.00	
Total 43400 · Direct Public Support	100.00	
Total Income	455,877.61	400,250.00
Gross Profit	455,877.61	400,250.00
Expense		
1500 · FFA Center Expenses		
1501 · FFA Camping Program Expense		
1501A · Sports Equipment	1,321.42	1,500.00
1501B · Banners/Awards	1,253.50	800.00
1501C · Camper Insurance	1,816.25	3,000.00
1501D · Food Service	75,644.20	67,000.00
1501E · Staff Travel	3,530.33	5,000.00
1501F · Staff Meals	1,462.30	2,500.00
1501G · Staff Salaries		
1501I · Workers Compensation	5,346.00	2,400.00
1501G · Staff Salaries - Other	32,325.00	35,000.00
Total 1501G · Staff Salaries	37,671.00	37,400.00
1501J · Staff Shirts	1,080.75	950.00
1501K · Staff Training	377.57	500.00
1501 · FFA Camping Program Expense - Other	170.50	
Total 1501 · FFA Camping Program Expense	124,327.82	118,650.00
Total 1500 · FFA Center Expenses	124,327.82	118,650.00
1502 · SLC/LEAD Expenses		
1502A · SLC/LEAD Salaries	0.00	500.00
1502B · SLC/LEAD Printing	0.00	2,400.00
1502C · SLC/LEAD Training & Development	550.99	1,500.00
1502D · SLC/LEAD Food Service	14,508.71	22,000.00
1502E · SLC/LEAD Audio/Visuals	0.00	500.00
1502G · SLC/LEAD Supplies	174.22	3,000.00
Total 1502 · SLC/LEAD Expenses	15,233.92	29,900.00
1503 · General Center Expenses		
1503A · General Liability Insurance	7,599.25	9,500.00
1503B · Office Supplies/Furniture/Equip	457.89	1,000.00
1503C · Debt Service (pier)		
1503C-1 · Interest-Pier	2,652.70	2,500.00
1503C · Debt Service (pier) - Other	6,596.78	6,750.00
Total 1503C · Debt Service (pier)	9,249.48	9,250.00
1503D · Licenses/Permits/Fees	541.00	800.00
1503E · Supplies and Fuel	1,901.24	3,500.00

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Accrual Basis

NC FFA Center
Profit & Loss Budget vs. Actual
September 2011 through August 2012

	Sep '11 - Aug 12	Budget
1503F · Renovations/Repairs/Improvement	64,724.03	50,000.00
1503G · Pest Control	2,275.00	2,500.00
1503H · Property Insurance	14,020.00	12,000.00
1503I · Furniture/Equipment	8,668.43	4,500.00
1503J · Labor/Professional Services	20,351.94	25,000.00
1503L · Cleaning Supplies	4,681.60	3,500.00
1503M · Utilities		
1503M-a · Telephone	1,977.25	2,600.00
1503M-b · Electricity	12,001.22	22,200.00
1503M-c · Water/Sewer/Trash	11,029.58	10,000.00
1503M-d · Cable TV/Internet	2,790.20	2,800.00
Total 1503M · Utilities	27,798.25	37,600.00
1503N · Publicity		
1503N-a · Printing	0.00	250.00
1503N-b · Postage	29.64	100.00
1503N-c · Advertising	0.00	300.00
1503N-d · Promotional	5,387.55	2,500.00
1503N-e · Membership/Subscriptions	200.00	300.00
Total 1503N · Publicity	5,617.19	3,450.00
1503O · Salary-Foundation Director	7,447.40	7,200.00
1503P · Debt Service (Dining Hall)		
1503P-1 · Interest-dining Hall	21,326.84	22,500.00
1503P · Debt Service (Dining Hall) - Other	34,027.24	32,900.00
Total 1503P · Debt Service (Dining Hall)	55,354.08	55,400.00
Total 1503 · General Center Expenses	230,686.78	225,200.00
2504 · Store Expenses		
2504A · Merchandise for ReSale	11,339.83	11,000.00
2504B · Store Facilities	0.00	500.00
Total 2504 · Store Expenses	11,339.83	11,500.00
3501 · Ag Ed Induction Conf. Expenses	2,075.31	
3505 · Sales & Use Tax (Payable)	-0.04	
4500 · Audit/Financial Serv/Bank Chrg	7,554.82	3,500.00
5100 · Personnel		
5101 · Salaries	9,050.00	8,500.00
Total 5100 · Personnel	9,050.00	8,500.00
66000 · Payroll Expenses	2,706.20	
Total Expense	402,974.64	397,250.00
Net Ordinary Income	52,902.97	3,000.00
Other Income/Expense		
Other Expense		
80000 · Ask Candace	-14.17	
Total Other Expense	-14.17	
Net Other Income	14.17	
Net Income	52,917.14	3,000.00

NORTH CAROLINA FFA ASSOCIATION, INC.

Raleigh, North Carolina

FINANCIAL STATEMENTS

For the years ended August 31, 2011 and 2010

NORTH CAROLINA FFA ASSOCIATION, INC.

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Schedule 2	Schedule of Expenses Compared to Budget



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Accountant's Compilation Report

Board of Directors
North Carolina FFA Association, Inc.
Raleigh, North Carolina

To the Board of Directors:

We have compiled the accompanying statements of financial position of the North Carolina FFA Association, Inc. (a nonprofit organization) as of August 31, 2011 and 2010 and the related statements of activities, cash flows and functional expenses for the years then ended. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or provide any other form of assurance on them.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

We are not independent with respect to the North Carolina FFA Association, Inc. as of and for the years ended August 31, 2011 and 2010, because we performed accounting services that impaired our independence. These services involved assisting the North Carolina FFA Association, Inc. in the maintenance and preparation of accounting records.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Rabon & Dailey', is written over the printed name.

Rabon & Dailey, L.L.P.
Cary, North Carolina
November 4, 2011

NORTH CAROLINA FFA ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2011 and 2010

EXHIBIT A

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 629,029	\$ 454,646
Accounts receivable - trade	<u>37,826</u>	<u>39,726</u>
TOTAL CURRENT ASSETS	666,855	494,372
OTHER ASSETS		
Sales Tax Refundable	1,433	1,018
Income Tax Refundable	-	1,160
Certificates of deposit	-	24,293
Bond Issue Costs, net of accumulated amortization	<u>8,940</u>	<u>9,744</u>
TOTAL OTHER ASSETS	10,373	36,215
PROPERTY AND EQUIPMENT		
Land & Land improvements	107,958	107,958
Construction in progress	2,317	2,317
Camp buildings	1,893,259	1,893,259
Furniture & equipment	<u>204,192</u>	<u>215,793</u>
	2,207,726	2,219,327
Less Accumulated depreciation	<u>879,874</u>	<u>844,135</u>
TOTAL PROPERTY AND EQUIPMENT	<u>1,327,852</u>	<u>1,375,192</u>
TOTAL ASSETS	<u>\$ 2,005,080</u>	<u>\$ 1,905,779</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payroll taxes payable	2,752	1,452
Sales tax payable	2,356	1,027
Current portion of long term debt	<u>36,727</u>	<u>32,651</u>
TOTAL CURRENT LIABILITIES	41,835	35,130
LONG TERM LIABILITIES		
Long-term debt, less current portion	<u>484,986</u>	<u>527,807</u>
TOTAL LIABILITIES	<u>526,821</u>	<u>562,937</u>
NET ASSETS		
Unrestricted, including \$19,810 board set aside	1,429,092	1,326,815
Temporarily Restricted [Foundation Advance/Regional]	49,167	16,027
TOTAL NET ASSETS	<u>1,478,259</u>	<u>1,342,842</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,005,080</u>	<u>\$ 1,905,779</u>

See Accountants' Compilation Report
The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA FFA ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
August 31, 2011 and 2010

EXHIBIT B

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
Support and revenue:		
FFA Center camp fees	\$ 225,069	\$ 209,048
Membership services	228,879	168,747
Special Conferences	100,297	96,997
State Convention & CDE's	73,277	62,875
Rents - FFA Center buildings	118,781	98,211
Regional income/Direct public support	12,576	16,006
Other revenue & support	21,624	18,106
Affiliate support	77,548	58,181
Interest income	<u>1,432</u>	<u>846</u>
Total Support & revenue	859,483	729,017
Expenses:		
FFA Center	134,674	144,933
AgEd Program	360,369	284,171
Camping Program	251,062	248,860
Management & general	<u>11,101</u>	<u>10,019</u>
Total Expenses	<u>757,206</u>	<u>687,983</u>
Increase in Unrestricted Net Assets	102,277	41,034
TEMPORARILY RESTRICTED NET ASSETS		
Support and revenue:		
Affiliate support	26,830	-
Regional Income/Direct Public Support	<u>6,310</u>	<u>-</u>
Total Support & revenue	33,140	-
Increase in Temporarily Restricted Net Assets	33,140	-
INCREASE (DECREASE) IN NET ASSETS	135,417	41,034
NET ASSETS AT BEGINNING OF YEAR	<u>1,342,842</u>	<u>1,301,808</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,478,259</u></u>	<u><u>\$ 1,342,842</u></u>

See Accountants' Compilation Report
The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA FFA ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
August 31, 2011 and 2010

EXHIBIT C

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted and temporarily restricted net assets from contributors	\$ 135,417	\$ 41,034
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	65,255	64,163
(Increase) decrease in operating assets		
Trade accounts receivables	1,900	18,012
Other receivables and pre-paid assets	745	(2,178)
Increase (decrease) in operating liabilities		
Payroll taxes payable	1,300	909
Other payables & accrued expenses	1,331	(2,031)
Trade accounts payables	<u>-</u>	<u>(4,837)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	205,948	115,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Certificate of deposit redeemed	24,293	20,337
Land improvements, buildings, property & equipment additions	<u>(17,113)</u>	<u>(19,917)</u>
NET CASH USED BY INVESTING ACTIVITIES	7,180	420
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on bonds	<u>(38,745)</u>	<u>(30,960)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(38,745)	(30,960)
NET INCREASE IN CASH AND CASH EQUIVALENTS	174,383	84,532
BEGINNING CASH AND CASH EQUIVALENTS	<u>454,646</u>	<u>370,114</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 629,029</u>	<u>\$ 454,646</u>
Cash paid for interest, none capitalized	<u>\$ 25,861</u>	<u>\$ 33,634</u>
Cash paid for taxes	<u>\$</u>	<u>\$ 1,730</u>

See Accountants' Compilation Report

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

NORTH CAROLINA FFA ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2011

EXHIBIT D

	FFA AgEd Program \$	FFA Camping Program \$	FFA Center \$	Management and General \$	Total \$
Salaries and payroll taxes	-	44,677	-	-	44,677
National FFA dues	128,340	-	-	-	128,340
State officer expenses	20,410	-	-	-	20,410
National convention expense	17,937	-	-	-	17,937
State convention expense	57,337	-	-	-	57,337
State officer selection process	4,702	-	-	-	4,702
State CDE expenses	30,075	-	-	-	30,075
State leadership conferences	-	26,689	-	-	26,689
Other special conferences	50,515	-	-	-	50,515
ILSSO/NLC SO	7,467	-	-	-	7,467
Foundation proficiency awards	5,600	-	-	-	5,600
Member/ promotional supplies	4,102	-	-	-	4,102
Donations - NC FFA Foundation	7,182	1,378	-	-	8,560
Office expense	-	-	7,182	-	7,182
Professional fees	2,292	735	1,102	612	4,739
Custodial / maid service	-	1,664	1,664	-	3,328
Maintenance & repairs	-	12,191	18,286	-	30,477
Property, liability & general insurance	-	12,912	19,369	-	32,281
Workers Comp & camper insurance	-	7,824	11,736	1,029	20,589
Kitchen supplies & catering	-	3,958	-	-	3,958
Licenses & permits	-	67,509	-	-	67,509
Printing	750	275	413	-	1,438
Board of Directors expense	965	-	228	76	1,269
Regional allocation	8,000	-	-	-	8,000
Regional expenses	12,059	-	-	-	12,059
Camp store purchases	-	10,033	-	-	10,033
Staff Meals	-	2,678	-	-	2,678
Staff Training	-	450	-	-	450
Supplies	1,038	5,132	3,134	-	9,304
Travel	1,145	5,251	-	-	6,396
Utilities & telephone	-	11,260	16,890	9,384	37,534
Miscellaneous	163	-	-	-	163
Bank Service Charges	290	-	-	-	290
Depreciation & amortization	-	26,102	39,153	-	65,255
Interest	-	10,344	15,517	-	25,861
Total	\$ 360,369	\$ 251,062	\$ 134,674	\$ 11,101	\$ 757,206

See Accountants' Compilation Report
The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA FFA ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2010

EXHIBIT D

	FFA AgEd Program	FFA Camping Program	FFA Center	Management and General	Total
	\$	\$	\$	\$	\$
Salaries and payroll taxes	-	37,827	-	-	37,827
National FFA dues	84,588	-	-	-	84,588
State officer expenses	22,911	-	-	-	22,911
National convention expense	18,153	-	-	-	18,153
State convention expense	56,389	-	-	-	56,389
State CDE expenses	20,960	-	-	-	20,960
State leadership conferences	-	26,669	-	-	26,669
Other special conferences	36,086	-	-	-	36,086
ILSSO/NLC SO	4,442	-	-	-	4,442
Agri Business Pilot Course	3,000	-	-	-	3,000
Agri Science Grant	526	-	-	-	526
Member/ promotional supplies	4,122	-	-	-	4,122
Donations - NC FFA Foundation	7,182	988	-	-	8,170
Office expense	-	-	7,182	-	7,182
Professional fees	3,420	304	456	253	4,433
Custodial / maid service	-	1,422	1,422	-	2,844
Maintenance & repairs	-	9,169	13,753	-	22,922
Property, liability & general insurance	-	22,182	33,272	-	55,454
Workers Comp & camper insurance	-	6,966	10,449	917	18,332
Kitchen supplies & catering	-	5,051	-	-	5,051
Licenses & permits	-	63,297	-	-	63,297
Printing	1,518	222	334	-	2,074
Board of Directors expense	1,131	-	106	35	1,659
Regional allocation	8,000	-	-	-	8,000
Regional expenses	10,062	-	-	-	10,062
Camp store purchases	-	14,355	-	-	14,355
Staff Meals	-	2,362	-	-	2,362
Supplies	711	3,516	2,846	-	7,073
Travel	701	4,836	-	-	5,537
Utilities & telephone	-	10,577	15,864	8,814	35,255
Miscellaneous	132	-	-	-	132
Sales/Other Taxes	-	-	570	-	570
Bank Service Charges	138	-	-	-	138
Depreciation & amortization	-	25,665	38,498	-	64,163
Interest	-	13,453	20,181	-	33,634
Total	\$ 284,171	\$ 248,860	\$ 144,933	\$ 10,019	\$ 687,983

See Accountants' Compilation Report
The accompanying notes are an integral part of these financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The North Carolina FFA Association, Inc. (NC FFA) was organized in the 1920's. Its mission as a premiere youth organization is to promote life-long learning, leadership and success through agriculture. Programs and activities include conferences for leadership development, a camping program and the annual state convention involving proficiency contests and awards. Fourteen new chapters have been added since fiscal year ended August 31, 2010 and two more chapters are anticipated to join in fall of 2011.

Income tax status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily and permanently restricted net assets.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenue recognition

Contributions are recognized when the donor makes a promise that is, in substance, unconditional. The North Carolina FFA Association, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Otherwise, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The NC FFA reports gifts of land, buildings, furniture and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. If explicit donor stipulations are absent about how long those long-lived assets must be maintained, the NC FFA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 1 - continued

In-kind Contributions

In-kind contributions are recorded at fair market value and recognized as revenue in the accounting period when they are received. During the years ended August 31, 2011 and 2010 many individuals volunteered their time, or served the NC FFA in their capacities as public educators employed by the school system, to the activities of the NC FFA. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of ASC 958.

The NC FFA also benefits from the use of state-owned office buildings and equipment, the value of which is not reflected in these financial statements.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Depreciation and property and equipment

Expenditures for normal maintenance of property and equipment are charged against income as incurred. Expenditures which significantly extend the useful lives of the assets are capitalized. Property and equipment are recorded at cost or at fair value if contributed. Depreciation is computed primarily using straight-line methods over the estimated useful lives of the assets. Fully depreciated buildings and equipment and the original land cost for the FFA Center at White Lake are not reflected in these financial statements. The initial purchase of the land in the 1930's was funded by donations from Ag-Ed teachers and camp net assets. Net assets are understated in the amount of the land cost. Management believes the original cost is immaterial. The land was appraised at \$3.42 million in March 2008. Depreciation expense for the years ended August 31, 2011 and 2010 amounted to \$64,451 and \$63,359, respectively.

Accounts Receivable

Accounts receivable are considered by management to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary.

Advertising costs

No funds were spent on advertising during the fiscal years ended August 31, 2011 or 2010.

Functional Expenses

The Organization allocates expenses on a functional basis among various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to multiple functions are allocated by various statistical bases.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The NC FFA maintains its cash balances in two North Carolina financial institutions. Accounts are now insured by the F.D.I.C. up to \$250,000. At August 31, 2011 the NC FFA accounts did not exceed the insurable limits. Concentrations with respect to accounts receivable are limited due to the large number of chapters, members and Center guests and their dispersion across the state.

NOTE 3 - RELATED ORGANIZATIONS & AFFILIATE SUPPORT

The North Carolina FFA Foundation, Inc. was organized in 1976 to function as the fundraising arm of the NC FFA. Funds received by the Foundation are used to support the North Carolina FFA programs.

\$14,364 in 2011 and \$14,364 in 2010 was given to support the Foundation and the position of Director of Development for the Foundation.

\$47,520 in 2011 and \$33,897 in 2010 of restricted support was received from the Foundation as reimbursement for the debt payments on the dining & recreation center bonds. At August 31, 2010 an additional \$10,990 was accrued and included in Accounts Receivable from the Foundation for debt payments on the dining & recreation center bonds. Additionally, a payment of \$44,154 was received in May of 2011, of which \$17,324 was applied to current year debt payments and \$26,830 is allocated for debt payments for the 2011-2012 year and classified as temporarily restricted.

\$10,521 in 2011 and \$3,546 in 2010 was received from the Foundation as reimbursement for State Convention expenses. \$9,645 in 2011 was received from the Foundation as reimbursement for camp related expenses. \$82 in 2011 and \$13,294 in 2010 was received from the Foundation as reimbursement for lodge furniture. At August 31, 2011 an additional \$6,930 for State Convention expenses and \$752 for camp furniture was accrued and included in Accounts Receivable from the Foundation.

NOTE 4 - OTHER PAYABLES

Property and general liability insurance were financed under agreements dated February 2011 and 2010 for property, and January 2011 and 2010 for general liability insurance. Management chose not to reflect prepaid premiums and the related liability. The payments were directly expensed as paid with an immaterial effect on the financial statements.

A checkline reserve is available with a maximum of \$4,995. Interest is payable at 17.9%; however no funds were drawn from the reserve during the years ended August 31, 2011 or 2010.

The First Citizens Visa account credit limit was increased to \$25,000 from \$5,000 in August 2010.

EXHIBIT E
continued

NOTE 5 - CERTIFICATES OF DEPOSIT

	<u>2011</u>	<u>2010</u>
Board-designated funds for building additions and renovation at the White Lake Center were invested in a certificate maturing September 10, 2010 bearing interest at 1.73%. Interest has not been accrued. The certificate was cashed on September 15, 2010 and the proceeds of \$24,713.74 were split and \$8,687.04 invested in a money market account and \$16,026.70 transferred to a checking account.	\$ -	\$ 24,293
Total	<u>\$ -</u>	<u>\$ 24,293</u>

The investment in the certificates of deposit is stated at cost plus accrued interest which approximates fair value. Interest earned and accrued on the certificates of deposit at August 31, 2011 and 2010 amounted to \$420 and \$631, respectively.

NOTE 6 - LONG TERM DEBT

	<u>2011</u>	<u>2010</u>
Senior Secured Rural America Bond A, \$550,000 issued on 4/9/08 maturing on 4/1/2023, bearing interest at 4.8%, payable to Cape Fear Farm Credit on the first day of each month in installments of \$4,348.84. There is no pre-payment penalty. The bond is secured by the White Lake Camp, Tract I, 7.17 acres.	\$ 459,765	\$ 492,202
Senior Secured Rural America Bond B, \$80,000 issued on 4/9/08 maturing on 4/1/2020, bearing interest at 4.5%, payable to Cape Fear Farm Credit on the first day of each month in installments of \$731.79. There is no pre-payment penalty. The bond is secured by the White Lake Camp, Tract I, 7.17 acres.	61,948	68,256
Total	521,713	560,458
Less current portion	36,727	32,651
Long-term debt	<u>\$ 484,986</u>	<u>\$ 527,807</u>

Bond issuance costs of \$11,687 were capitalized and are being amortized on a straight line basis over the terms of the bonds. Amortization amounted to \$804 each year for the years ended August 31, 2011 and 2010.

Future principal payments on the bonds for the five years ending August 31 are as follows:

2012	36,727
2013	38,510
2014	40,380
2015	42,340
2016	44,396

A bond modification agreement was signed and effective September 1, 2010 that reduced the interest rate of Bond A from 5.85 to 4.8, and Bond B from 5.65 to 4.5. FFA management intends to continue making payments at the higher amount in order to retire the debt sooner.

EXHIBIT E
continued

NOTE 7 - CONSTRUCTION IN PROGRESS

Construction in progress consists of the following:

	<u>2011</u>	<u>2010</u>
Design and engineering fees for the dormitory	\$ 2,317	\$ 2,317

Cape Fear Farm Credit committed funds to the NCFFA Foundation to (re)build the dormitory at the White Lake Center. This project has been placed on hold.

The State of North Carolina grant that was originally designated for building the dining hall was revised to provide annual funding of \$50,000 to the Foundation. The Foundation agreed to reimburse the Association on a monthly basis for debt service. These funds are included in "Affiliate Support". In May of 2011 the Foundation funded in advance the monthly payments for the next fiscal year.

NOTE 8 - INCOME TAXES

Rental of the White Lake camp unrelated to membership activities is considered to be Unrelated Business Taxable Income and subject to income tax. There was no net Unrelated Business Taxable Income for the fiscal year ended August 31, 2010 or for the year ended August 31, 2011. 2009 Quarterly estimated payments of \$1,160 were refundable and included in current assets as Income Tax Refundable for the year ended August 31, 2010.

NOTE 9 - RESTRICTIONS/LIMITATIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes and/or periods:

	<u>2011</u>	<u>2010</u>
Satisfaction of debt payments on dining hall	\$ 26,830	\$ -
Expenses related to Eastern Region FFA	21,291	16,027
Expenses related to East Central Region FFA	1,046	
	<u>\$ 49,167</u>	<u>\$ 16,027</u>

NOTE 10 - PRIOR PERIOD ADJUSTMENT

During the fiscal year ended August 31, 2011, the NC FFA performed additional analysis and identified donations earmarked for the Eastern Region FFA that can only be spent for the benefit of that region and reclassified \$16,027 to temporarily restricted net assets that had been previously reported as unrestricted net assets. This correction had no effect on total net assets at August 31, 2010, or on total change in net assets for the years then ended. However, the effect of the correction on change in temporarily restricted net assets was an increase of \$16,027 for the year ended August 31, 2010 with a corresponding decrease in unrestricted net assets.

NORTH CAROLINA FFA ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

For the year ended August 31, 2011

NORTH CAROLINA FFA ASSOCIATION, INC.
SCHEDULE OF SUPPORT & REVENUE COMPARED TO BUDGET
For the year ended August 31, 2011

Schedule 1

	Revenue	Budget	Variance Favorable (Unfavorable)
TEMPORARILY/UNRESTRICTED SUPPORT & REVENUE			
Membership Services Income			
Dues & subscriptions	\$ 218,927	\$ 204,000	\$ 14,927
ILSSO Income	4,200	-	4,200
National Convention Luncheon	5,752	3,000	2,752
Total Membership Services Income	228,879	207,000	21,879
State Conventions, CDE & Conferences			
State Convention registration	28,880	28,000	880
State Convention support from Affiliates	4,200	3,000	1,200
State Convention support from Foundation	16,040	-	16,040
CDE's	32,502	25,700	6,802
State Office Candidate registration	2,550	3,000	(450)
MEGA Conference	44,371	31,000	13,371
National FFA support -NLC SO & Tool ID manuals	1,389	750	639
Special Programs (summer wksp., agribus. pilot course)	9,075	500	8,575
Agriscience grant	30	-	30
Total State Conventions, CDE & Conferences	139,037	91,950	47,087
FFA Center			
Camping Program	225,069	210,000	15,069
Center Building Rental	118,780	70,000	48,780
Camp Store	15,855	10,000	5,855
State Leadership Conferences	56,346	50,000	6,346
Affiliate support -Foundation	88,338	-	88,338
Sales Tax Collected	-	-	-
Total Center Revenue	504,388	340,000	164,388
Other Revenue & Support			
Regional Income	18,386	-	18,386
Miscellaneous Income	500	-	500
Interest Income	1,433	-	1,433
Total Other Revenue & Support	20,319	-	20,319
TOTAL REVENUE & SUPPORT	892,623	638,950	253,673

NORTH CAROLINA FFA ASSOCIATION, INC.
SCHEDULE OF EXPENSES COMPARED TO BUDGET
For the year ended August 31, 2011

	Expenses	Budget	Schedule 2 Variance Favorable (Unfavorable)
Membership Services Expense			
National dues & magazine subscriptions	\$ 127,538	\$ 119,000	\$ (8,538)
National convention luncheon	3,737	3,000	(737)
National convention delegate travel & CDE Certification	15,006	14,600	(406)
State officer expenses & nat'l officer candidate travel	21,554	20,400	(1,154)
State officer selection process	4,702	4,800	98
Special Programs & Agriscience Grant	5,145	-	(5,145)
Regional allotment	8,000	8,000	-
Supplies & materials	684	750	66
Promotional	4,102	2,350	(1,752)
Professional fees	2,292	3,500	1,208
Insurance	-	-	-
Printing	0	500	500
Bank charges, benevolence & other	806	500	(306)
Total Membership Services Expense	193,566	177,400	(16,166)
State Conventions, CDE & Conference Expense			
State Convention -building rent, speaker, travel, awards, etc	57,337	55,000	(2,337)
CDE meals & judging expenses	30,075	21,900	(8,175)
MEGA conference expense	45,370	33,200	(12,170)
ILSSO/NLCSO expenses	7,467	3,500	(3,967)
Tool ID manual printing	750	-	(750)
Proficiency awards	5,600	-	(5,600)
Total Conventions, CDE & Conference Expense	146,599	113,600	(32,999)
FFA Center Expenses			
Camping program meal service	67,509	67,000	(509)
Camper & SLC insurance	1,638	2,800	1,162
Sports equipment, banners & awards	2,115	2,300	185
Staff Expenses -travel & meals, shirts, training	9,307	6,700	(2,607)
SLC -printing, training & development, audio/visuals, supplies	8,378	6,000	(2,378)
Store Purchases & facility	10,033	8,500	(1,533)
Staff, Personnel & SLC salaries, workers comp insurance & payroll tax	46,996	41,350	(5,646)
SLC Food Service	18,311	27,000	8,689
Utilities	37,534	30,300	(7,234)
Labor -maintenance services	30,477	24,000	(6,477)
Supplies -Cleaning & Other	6,918	7,500	582
Building repairs & Store Facilities	30,356	34,000	3,644
Pest Control	1,925	2,500	575
Licenses, Permits & Fees	688	800	112
Depreciation & amortization	65,255	-	(65,255)
Property & casualty insurance	11,542	17,500	5,958
General liability insurance	9,047	10,000	953
Professional Fees	3,329	4,500	1,171
Sales Tax	0	-	-
Income & Other Tax	0	1,200	1,200
Interest expense/Debt reduction	25,861	29,600	3,739
Publicity, promotion & marketing	1,682	1,950	268
Total Center Expenses	388,901	325,500	(63,401)

NORTH CAROLINA FFA ASSOCIATION, INC.
SCHEDULE OF EXPENSES COMPARED TO BUDGET
For the year ended August 31, 2011

Schedule 2 concluded

	Expenses	Budget	Variance Favorable (Unfavorable)
Other Expenses			-
FFA Board of Directors	\$ 965	\$ 750	(215)
Regional expenses	12,059	-	(12,059)
Foundation ED Support	14,364	14,400	36
Furniture & Equipment	752	4,600	3,848
Total Other Expenses	<u>28,140</u>	<u>19,750</u>	<u>(8,390)</u>
Total Expenses	<u>757,206</u>	<u>636,250</u>	<u>(120,956)</u>
			-
EXCESS OF REVENUES & SUPPORT OVER EXPENSES	<u>\$ 135,417</u>	<u>\$ 2,700</u>	<u>\$ 132,717</u>