

National FFA Foundation, Inc.

Accountants' Report and Consolidated Financial Statements

December 31, 2009 and 2008

National FFA Foundation, Inc.

December 31, 2009 and 2008

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Independent Accountants' Report

Board of Trustees
National FFA Foundation, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated statements of financial position of National FFA Foundation, Inc. (Foundation) as of December 31, 2009 and 2008, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of National FFA Foundation, Inc. as of December 31, 2009 and 2008, 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.

BKD, LLP
June 25, 2010

National FFA Foundation, Inc.
Consolidated Statements of Financial Position
December 31, 2009 and 2008

Assets

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Cash and cash equivalents	\$ (218,808)	\$ 218,808	\$ -	\$ -
Contributions receivable	548,243	3,302,864	20,080	3,871,187
Other receivables	247,614	3,413	-	251,027
Prepaid expenses and other	89,410	63,184	-	152,594
Investments	691,650	5,360,882	2,834,865	8,887,397
Total assets	\$ 1,358,109	\$ 8,949,151	\$ 2,854,945	\$ 13,162,205

Liabilities

Accounts payable - trade	\$ 514,003	\$ -	\$ -	514,003
Accounts payable - National FFA Organization	985,392	-	-	985,392
Due to National Council	-	380,595	-	380,595
Due to affiliated organizations	-	224,666	-	224,666
Accrued payroll and other liabilities	221,329	-	-	221,329
Total liabilities	1,720,724	605,261	-	2,325,985

Net Assets

Unrestricted				
General	(1,627,698)	-	-	(1,627,698)
Ag Ed Strategic Opportunities Fund	1,271,475	-	-	1,271,475
Endowment and development	(6,392)	-	-	(6,392)
	<u>(362,615)</u>	<u>-</u>	<u>-</u>	<u>(362,615)</u>
Temporarily restricted				
General	-	7,660,437	-	7,660,437
Endowment and development	-	683,453	-	683,453
	<u>-</u>	<u>8,343,890</u>	<u>-</u>	<u>8,343,890</u>
Permanently restricted - endowment and development	-	-	2,854,945	2,854,945
Total net assets	(362,615)	8,343,890	2,854,945	10,836,220
Total liabilities and net assets	\$ 1,358,109	\$ 8,949,151	\$ 2,854,945	\$ 13,162,205

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ (133,878)	\$ 133,878	\$ -	\$ -
579,639	3,816,823	95,226	4,491,688
324,663	2,034	-	326,697
87,446	65,167	-	152,613
(284,378)	4,861,935	2,685,154	7,262,711
<u>\$ 573,492</u>	<u>\$ 8,879,837</u>	<u>\$ 2,780,380</u>	<u>\$ 12,233,709</u>
\$ 1,344,034	\$ -	\$ -	\$ 1,344,034
201,687	-	-	201,687
-	351,292	-	351,292
-	69,722	-	69,722
184,496	-	-	184,496
<u>1,730,217</u>	<u>421,014</u>	<u>-</u>	<u>2,151,231</u>
(2,153,360)	-	-	(2,153,360)
1,056,878	-	-	1,056,878
(60,243)	-	-	(60,243)
<u>(1,156,725)</u>	<u>-</u>	<u>-</u>	<u>(1,156,725)</u>
-	8,335,305	-	8,335,305
-	123,518	-	123,518
-	<u>8,458,823</u>	-	<u>8,458,823</u>
-	-	2,780,380	2,780,380
<u>(1,156,725)</u>	<u>8,458,823</u>	<u>2,780,380</u>	<u>10,082,478</u>
<u>\$ 573,492</u>	<u>\$ 8,879,837</u>	<u>\$ 2,780,380</u>	<u>\$ 12,233,709</u>

National FFA Foundation, Inc.
Consolidated Statements of Activities
Years Ended December 31, 2009 and 2008

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Public support				
Regular contributions	\$ 592,030	\$ -	\$ 20,000	\$ 612,030
Special project contributions	5,312,497	5,770,445	54,565	11,137,507
Special project operational contributions	1,559,026	-	-	1,559,026
Interest and dividend income	132,785	100,485	-	233,270
Program fees	450,485	-	-	450,485
	<u>8,046,823</u>	<u>5,870,930</u>	<u>74,565</u>	<u>13,992,318</u>
Net assets released from restrictions	6,499,063	(6,499,063)	-	-
Total revenue, gains and other support	<u>14,545,886</u>	<u>(628,133)</u>	<u>74,565</u>	<u>13,992,318</u>
Expenses				
Program services				
Leadership development	2,581,329	-	-	2,581,329
Personal growth	1,137,753	-	-	1,137,753
Career development	5,685,340	-	-	5,685,340
Professional development and other	2,348,678	-	-	2,348,678
Total program services	<u>11,753,100</u>	<u>-</u>	<u>-</u>	<u>11,753,100</u>
Management and general	1,365,584	-	-	1,365,584
Fundraising	1,734,986	-	-	1,734,986
Total expenses	<u>14,853,670</u>	<u>-</u>	<u>-</u>	<u>14,853,670</u>
Change in Net Assets Before Gains (Losses)				
on Investments	(307,784)	(628,133)	74,565	(861,352)
Net gains (losses) from investments	<u>1,101,894</u>	<u>513,200</u>	<u>-</u>	<u>1,615,094</u>
Change in Net Assets	794,110	(114,933)	74,565	753,742
Net Assets, Beginning of Year	<u>(1,156,725)</u>	<u>8,458,823</u>	<u>2,780,380</u>	<u>10,082,478</u>
Net Assets, End of Year	<u>\$ (362,615)</u>	<u>\$ 8,343,890</u>	<u>\$ 2,854,945</u>	<u>\$ 10,836,220</u>

2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 566,812	\$ -	\$ -	\$ 566,812
6,105,964	6,398,923	245,872	12,750,759
1,449,772	-	-	1,449,772
294,477	175,157	73	469,707
483,350	-	-	483,350
8,900,375	6,574,080	245,945	15,720,400
6,090,680	(6,090,680)	-	-
14,991,055	483,400	245,945	15,720,400
2,224,629	-	-	2,224,629
1,443,947	-	-	1,443,947
6,476,534	-	-	6,476,534
2,039,944	-	-	2,039,944
12,185,054	-	-	12,185,054
1,489,535	-	-	1,489,535
1,944,061	-	-	1,944,061
15,618,650	-	-	15,618,650
(627,595)	483,400	245,945	101,750
(1,984,398)	(917,271)	-	(2,901,669)
(2,611,993)	(433,871)	245,945	(2,799,919)
1,455,268	8,892,694	2,534,435	12,882,397
\$ (1,156,725)	\$ 8,458,823	\$ 2,780,380	\$ 10,082,478

National FFA Foundation, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2009

2009

	Program Services				Supporting Services		Total Expenses
	Leadership Development	Personal Growth	Career Development	Professional Development and Other	Management and General	Fundraising	
Awards, grants and scholarships	\$ 107,447	\$ 162,164	\$ 3,260,302	\$ 113,283	\$ 3,643,196	\$ 20,666	\$ 3,670,801
Programs and activities	332,888	209,622	364,459	618,349	1,525,318	-	1,525,318
Salaries, payroll taxes and employee benefits	51,699	81,496	187,390	243,692	564,277	1,122,988	2,505,115
Materials and supplies	179,137	76,840	125,909	161,095	542,981	17,750	570,104
Telephone and fax	4,389	2,158	11,089	18,125	35,761	19,357	64,518
Postages, freight, shipping and handling	42,198	5,350	19,712	11,550	78,810	27,774	117,578
Occupancy	-	-	-	8,200	8,200	42,134	80,224
Maintenance, repairs and rental	152,201	-	-	-	152,201	156,308	308,411
Printing and publications	102,911	75,884	200,427	13,187	392,409	48,083	469,306
Travel, meals and lodging	441,011	217,110	983,426	538,983	2,180,530	181,796	2,435,924
Conferences, conventions, workshops and meetings	1,038,275	91,302	375,627	152,312	1,677,716	32,253	1,720,720
Training and development	81,917	38,135	32,317	136,379	288,748	6,099	300,976
Bank, credit card and state fees	-	-	215	18,416	18,631	9,183	38,275
Professional fees - other	27,256	177,492	120,789	315,107	640,644	12,014	721,735
Accounting and legal fees	-	-	3,678	-	3,678	27	133,869
Miscellaneous	-	-	-	-	-	38,574	138,595
Totals	\$ 2,581,329	\$ 1,137,753	\$ 5,685,340	\$ 2,348,678	\$ 11,753,100	\$ 1,734,986	\$ 3,100,570
							\$ 14,853,670

See Notes to Consolidated Financial Statements

National FFA Foundation, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2008

2008

	Program Services				Management and General		Supporting Services		Total Expenses
	Leadership Development	Personal Growth	Career Development	Professional Development and Other	Total	General	Fundraising	Total	
Awards, grants and scholarships	\$ 238,121	\$ 172,860	\$ 3,940,490	\$ 88,863	\$ 4,440,334	\$ 206	\$ 585	\$ 791	\$ 4,441,125
Programs and activities	264,360	223,605	465,288	478,862	1,432,115	-	-	-	1,432,115
Salaries, payroll taxes and employee benefits	50,436	206,741	192,349	182,307	631,833	938,077	1,218,526	2,156,603	2,788,436
Materials and supplies	402,103	51,097	180,712	87,329	721,241	14,042	20,310	34,352	755,593
Telephone and fax	9,803	13,134	5,902	33,842	62,681	11,247	22,079	33,326	96,007
Postage, freight, shipping and handling	43,910	5,981	26,956	2,725	79,572	15,569	35,480	51,049	130,621
Occupancy	-	-	-	5,552	5,552	30,793	42,039	72,832	78,384
Maintenance, repairs and rental	94,516	9,250	24,825	12,551	141,142	125,727	175,949	301,676	442,818
Printing and publications	140,570	87,279	69,383	21,587	318,819	44,032	61,260	105,292	424,111
Travel, meals and lodging	514,661	313,747	945,553	492,506	2,266,467	84,711	239,880	324,591	2,591,058
Conferences, conventions, workshops and meetings	341,384	136,393	406,321	82,299	966,397	2,483	44,009	46,492	1,012,889
Training and development	87,249	77,328	20,760	59,164	244,501	7,052	6,538	13,590	258,091
Bank, credit card and state fees	51	-	114	1,280	1,445	8,113	8,579	16,692	18,137
Professional fees - other	37,465	146,133	176,059	491,077	850,734	107,473	34,121	141,594	992,328
Accounting and legal fees	-	399	21,822	-	22,221	42,860	-	42,860	65,081
Miscellaneous	-	-	-	-	-	57,150	34,706	91,856	91,856
Totals	\$ 2,224,639	\$ 1,443,947	\$ 6,476,534	\$ 2,039,944	\$ 12,185,054	\$ 1,489,535	\$ 1,944,061	\$ 3,433,596	\$ 15,618,650

See Notes to Consolidated Financial Statements

National FFA Foundation, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Operating Activities		
Cash received from contributors and others	\$ 12,506,106	\$ 12,749,135
Interest and dividends received	233,270	469,633
Cash paid to employees, suppliers, etc.	(12,916,137)	(14,036,934)
Net cash used in operating activities	(176,761)	(818,166)
Investing Activities		
Proceeds from sales and maturities of investments	2,731,707	4,412,785
Purchases of investments	(2,741,300)	(4,215,873)
Net cash provided by (used in) investing activities	(9,593)	196,912
Financing Activities		
Proceeds from contributions restricted for investment in endowment	149,711	153,146
Change in other financing activity	36,643	27,310
Net cash provided by financing activities	186,354	180,456
Net Decrease in Cash and Cash Equivalents	-	(440,798)
Cash and Cash Equivalents, Beginning of Year	-	440,798
Cash and Cash Equivalents, End of Year	\$ -	\$ -
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities		
Change in net assets	\$ 753,742	\$ (2,799,919)
Items not requiring (providing) cash		
Realized and unrealized (gains) losses on investments	(1,615,094)	2,901,669
Reinvested interest and dividends	-	(73)
Contributions restricted for long-term investment	(149,711)	(153,146)
Changes in		
Receivables	696,171	(1,223,480)
Prepaid expenses	19	141,095
Accounts payable and accrued expenses	138,112	315,688
Net cash used in operating activities	\$ (176,761)	\$ (818,166)

National FFA Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General

National FFA Foundation, Inc. (Foundation) commenced operations in March 1944 and was incorporated as a not-for-profit foundation in January 1945, under the laws of the District of Columbia. The Foundation was organized for the overall purpose of furthering the education and development of National FFA members with emphasis in all segments of the industry of agriculture in America at the national, state and local levels.

During 2007, the Foundation developed a wholly owned subsidiary, the FFA Pooled Investment Trust, LLC (Trust) for the collective investment and reinvestment of certain funds of both the Foundation and affiliated organizations of the National FFA Organization (Organization). In addition, FFA Trust Management, LLC (Company), the Fund's wholly owned subsidiary, was formed to organize and serve as the manager of the Fund.

Principles of Consolidation

The consolidated financial statements of National FFA Foundation, Inc. include the accounts of the Foundation, the Trust and the Company. All material inter-organization accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents.

In addition, the financial institution holding the Foundation's cash account is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the accounts.

National FFA Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying consolidated statements of activities.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation is not considered to be a private foundation. The Foundation is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2006.

Uncertain Tax Positions

During 2009, the Foundation adopted provisions of Financial Accounting Standards Board Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which was subsequently incorporated into the FASB Accounting Codification (ASC) Topic 740. The implementation had no significant impact on the Foundation's consolidated financial statements.

Promises to Give

Unconditional promises to give (contributions receivable) are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

While contributions, including promises to give, are required to be recorded as revenue in the year received, expenses funded by such contributions normally occur in subsequent years. This means fluctuations between years in the amount of contributions received or receivable can have a significant impact on the total change in net assets of the Foundation, as can the timing of program expenses which result therefrom.

Support and Revenue

The Foundation 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. When a donor restriction expires, that is, 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 consolidated statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

National FFA Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair market value of certain in-kind donations as an asset or expense in its consolidated financial statements, and similarly increase donations by a like amount. For the years ended December 31, 2009 and 2008, in-kind contributions amounted to \$1,723,732 and \$1,101,031, respectively.

Expense Allocation

Expenses have been classified as program services, management and general and fundraising based on the actual direct expenditures and cost allocations based upon estimates of time spent by Foundation personnel.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through June 25, 2010, which is the date the consolidated financial statements were available to be issued.

Note 2: Contributions Receivable

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Due within one year	\$ 548,243	\$ 3,178,450	\$ 20,080	\$ 3,746,773
Due in one to five years	-	146,825	-	146,825
	<u>548,243</u>	<u>3,325,275</u>	<u>20,080</u>	<u>3,893,598</u>
Discount (approximately 6%)	-	(22,411)	-	(22,411)
	<u>\$ 548,243</u>	<u>\$ 3,302,864</u>	<u>\$ 20,080</u>	<u>\$ 3,871,187</u>
	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Due within one year	\$ 579,639	\$ 3,420,691	\$ 95,226	\$ 4,095,556
Due in one to five years	-	463,100	-	463,100
	<u>579,639</u>	<u>3,883,791</u>	<u>95,226</u>	<u>4,558,656</u>
Discount (approximately 6%)	-	(66,968)	-	(66,968)
	<u>\$ 579,639</u>	<u>\$ 3,816,823</u>	<u>\$ 95,226</u>	<u>\$ 4,491,688</u>

National FFA Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Contributions receivable designated for specific purposes are as follows:

	<u>2009</u>	<u>2008</u>
Leadership development	\$ 939,700	\$ 680,840
Personal growth	356,509	995,074
Career development	1,774,166	1,336,122
Professional development and other	223,009	869,936
Future periods	<u>29,560</u>	<u>30,077</u>
	<u>\$ 3,322,944</u>	<u>\$ 3,912,049</u>

Note 3: Investments

The Foundation's investments are as follows:

	<u>Market</u>	
	<u>2009</u>	<u>2008</u>
Uninvested cash	\$ 56,638	\$ 309,318
Bond mutual funds	3,047,847	2,504,395
Equity mutual funds	5,378,499	4,318,318
Alternative investments - mutual funds	<u>404,413</u>	<u>130,680</u>
Total	<u>\$ 8,887,397</u>	<u>\$ 7,262,711</u>
Unrestricted	\$ 691,650	\$ (284,378)
Temporarily restricted	5,360,882	4,861,935
Permanently restricted	<u>2,834,865</u>	<u>2,685,154</u>
	<u>\$ 8,887,397</u>	<u>\$ 7,262,711</u>

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended December 31, 2009 and 2008:

	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 132,785	\$ 100,485	\$ -	\$ 233,270
Net realized gains (losses) on investments	(15,539)	56,168	-	40,629
Net unrealized gains on investments	<u>1,117,433</u>	<u>457,032</u>	<u>-</u>	<u>1,574,465</u>
Total return on investments	<u>\$ 1,234,679</u>	<u>\$ 613,685</u>	<u>\$ -</u>	<u>\$ 1,848,364</u>

National FFA Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Dividends and interest	\$ 294,477	\$ 175,157	\$ 73	\$ 469,707
Net realized losses on investments	(208,319)	(26,078)	-	(234,397)
Net unrealized losses on investments	(1,776,079)	(891,193)	-	(2,667,272)
Total return on investments	\$ (1,689,921)	\$ (742,114)	\$ 73	\$ (2,431,962)

Note 4: Interest in Charitable Trusts

During 2007, the Foundation was informed that it has been named the charitable beneficiary under two revocable charitable trusts from one donor. The estimated interest in the charitable trusts is approximately \$1,200,000. Due to the trusts being revocable, no asset has been recognized by the Foundation as of December 31, 2009 and 2008.

Note 5: Temporarily Restricted Net Assets

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

	2009	2008
Leadership development program activities	\$ 1,294,028	\$ 1,085,734
Personal growth program activities	1,206,113	1,627,763
Career development program activities	4,862,711	4,441,542
Professional development and other program activities	836,442	1,134,589
For periods after December 31, 2009 and 2008	144,596	169,195
	\$ 8,343,890	\$ 8,458,823

Note 6: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to:

	2009	2008
Investment in perpetuity, the income of which is expendable to support		
Leadership development program activities	\$ 43,753	\$ 41,963
Career development program activities	2,416,939	2,344,164
Professional development and other program activities	361,145	361,145
Any activity of the Foundation	33,108	33,108
	\$ 2,854,945	\$ 2,780,380

National FFA Foundation, Inc.
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

Note 7: Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2009	2008
Purpose restrictions accomplished and passage of time		
Leadership development program expenses	\$ 873,644	\$ 595,748
Personal growth program expenses	970,735	1,099,774
Career development program expenses	3,613,330	3,659,544
Professional development and other	1,041,354	735,614
Total net assets released from restrictions	\$ 6,499,063	\$ 6,090,680

Note 8: Endowment

Interpretation of State Law

The Foundation maintains an Endowment Fund, which is comprised of certain donor-restricted permanently restricted funds functioning as an endowment to support a variety of purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Indiana's Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

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Investment and Spending Policies

Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's investment policy, endowment assets are invested in a manner that is intended to preserve inflation adjusted values and provide annual budgetary support that is both stable and growing.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both a current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation, including, but not limited to, equity and fixed income instruments. The asset mix of the endowment funds is described in Note 3.

The spending policy of the Foundation provides for the distribution of both income and a portion of the capital appreciation resulting from investment activity as established by the governing body. This policy is consistent with an investment philosophy that maintains the purchasing power of the original gift so that the endowment may keep pace with inflation.

The composition of net assets by type of endowment fund at December 31, 2009 and 2008, was:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	<u>\$ 18,266</u>	<u>\$ 681,658</u>	<u>\$ 2,834,865</u>	<u>\$ 3,534,789</u>

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	<u>\$ (62,534)</u>	<u>\$ 120,118</u>	<u>\$ 2,685,154</u>	<u>\$ 2,742,738</u>

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Changes in endowment net assets for the years ended December 31, 2009 and 2008, were:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ (62,534)	\$ 120,118	\$ 2,685,154	\$ 2,742,738
Investment return:				
Investment income	1,668	100,485	-	102,153
Net unrealized appreciation	79,132	513,200	-	592,332
Total investment return	80,800	613,685	-	694,485
Contributions received	-	-	149,711	149,711
Appropriation of endowment assets for expenditure	-	(52,145)	-	(52,145)
Endowment net assets, end of year	\$ 18,266	\$ 681,658	\$ 2,834,865	\$ 3,534,789
	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 27,451	\$ 1,012,563	\$ 2,531,935	\$ 3,571,949
Investment return:				
Investment income	3,002	175,157	73	178,232
Net unrealized depreciation	(92,987)	(917,271)	-	(1,010,258)
Total investment return	(89,985)	(742,114)	73	(832,026)
Contributions received	-	-	153,146	153,146
Appropriation of endowment assets for expenditure	-	(150,331)	-	(150,331)
Endowment net assets, end of year	\$ (62,534)	\$ 120,118	\$ 2,685,154	\$ 2,742,738

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Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at December 31, 2009 and 2008, consisted of:

	2009	2008
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation or SPMIFA	\$ 2,834,865	\$ 2,685,154
Temporarily restricted net assets - portion of perpetual endowment funds subject to a time restriction under SPMIFA with purpose restrictions	\$ 681,658	\$ 120,118

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$6,392 and \$75,893 at December 31, 2009 and 2008. These deficiencies resulted from unfavorable market fluctuations.

Note 9: Related Party Transactions

The Foundation currently has several of its trustees as directors of the National FFA Organization. However, neither organization appoints the trustees or directors of the other organization. During 2009 and 2008, the Foundation recorded revenues from the National FFA Organization as follows:

	2009	2008
Contributions from Alumni Association	\$ 25,500	\$ 10,500
Special project contributions and fees	221,797	149,353
Other reimbursements	597,632	1,033,784
Contributions from National FFA	5,612	75,000
Total	\$ 850,541	\$ 1,268,637

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Expenses incurred by the National FFA Organization on behalf of the Foundation are as follows. The Foundation reimburses the National FFA Organization for such expenses, including the salaries and benefits of Foundation staff.

	<u>2009</u>	<u>2008</u>
Management fees, salaries and benefits	\$ 3,096,618	\$ 3,436,118
Convention, Career Show and other support	806,541	1,207,579
Awards and scholarships	16,940	36,570
Other expenses	2,403,871	2,185,949
Operating reimbursements	<u>380,276</u>	<u>414,556</u>
Total	<u>\$ 6,704,246</u>	<u>\$ 7,280,772</u>

At December 31, 2009 and 2008, the Foundation had no receivables from the National FFA Organization, and accounts payable to the National FFA Organization of \$985,392 and \$201,687, respectively.

Note 10: Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include investment cash and various types of mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2009 and 2008:

	Fair Value	2009 Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Uninvested cash	\$ 56,638	\$ 56,638	\$ -	\$ -
Bond mutual funds	3,047,847	3,047,847	-	-
Equity mutual funds	5,378,499	5,378,499	-	-
Alternative investments - mutual funds	404,413	404,413	-	-
	<u>\$ 8,887,397</u>	<u>\$ 8,887,397</u>	<u>\$ -</u>	<u>\$ -</u>

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	2008			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Uninvested cash	\$ 309,318	\$ 309,318	\$ -	\$ -
Bond mutual funds	2,504,395	2,504,395	-	-
Equity mutual funds	4,318,318	4,318,318	-	-
Alternative investments - mutual funds	130,680	130,680	-	-
	<u>\$ 7,262,711</u>	<u>\$ 7,262,711</u>	<u>\$ -</u>	<u>\$ -</u>

Note 11: Management's Consideration of Operational Challenges

The Foundation currently has a negative unrestricted net asset balance due to recurring operating losses and negative cash flows from operations. Additionally, the Foundation's liquid assets are not sufficient to meet its temporarily restricted obligations.

Management has implemented or is in the process of implementing several strategies in an attempt to mitigate these conditions including the following:

- Expenditures for noncore programs will not be authorized until such time as the necessary funds have been raised and received by the Foundation
- Additional fundraising strategies will be implemented to reach an expanded group of individuals and companies
- Certain programs which benefit the Organization will be transferred to the Organization to manage

Should these steps not provide the necessary resources to replenish the reserves of the Foundation, management has identified certain additional steps that can be implemented, including further reductions in personnel and overhead charged by the Organization, the redirection of gifts or portions of gifts to reserves and the establishment of a short-term borrowing arrangement with the Organization.

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Note 12: Significant Estimates and Concentrations

Current Economic Conditions

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in contributions and constraints on liquidity. The consolidated financial statements have been prepared using values and information currently available to the Foundation.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on the Foundation's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for contributions receivable that could negatively impact the Foundation's ability to maintain sufficient liquidity.