

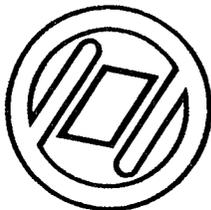
MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

FINANCIAL STATEMENTS
June 30, 2010

MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Muscatine Agricultural Learning Center
3200 Lucas Street
Muscatine, Iowa 52761

We have audited the accompanying statement of assets, liabilities and net assets (modified cash basis) of the Muscatine Agricultural Learning Center (An Iowa Chapter 28E Organization) as of June 30, 2010, and the related statements of revenue, expenses and changes in net assets (modified cash basis) and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 audit provides 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 the Muscatine Agricultural Learning Center as of June 30, 2010, and the results of its operations and cash flows for the year then ended. The Organization's financial statements are prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The Organization has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Governmental Auditing Standards, we have also issued our report dated January 20, 2011 on our consideration of the Muscatine Agricultural Learning Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to

Independent Auditors' Report
Page 2

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

TAYLOR, REES, BECKEY & CO., P.C.
Certified Public Accountants

January 20, 2011

FINANCIAL STATEMENTS

MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
- MODIFIED CASH BASIS
June 30, 2010

ASSETS

Current Assets	
Cash	\$ 67,118
Total Current Assets	<u>67,118</u>
Fixed Assets	
Land	1,014,391
Land Improvements	5,543
Buildings	2,278,514
Furniture, Fixtures and Equipment	39,317
Less: Accumulated Depreciation	<u>(37,082)</u>
Total Fixed Assets	<u>3,300,683</u>
TOTAL ASSETS	\$ <u><u>3,367,801</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Note Payable	\$ 7,000
Note Payable - Bank	<u>700,339</u>
Total Current Liabilities	<u>707,339</u>
Net Assets	
Unrestricted	<u>2,660,462</u>
Total Net Assets	<u>2,660,462</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>3,367,801</u></u>

The Notes to Financial Statements Are An
Integral Part of These Statements

MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
For the Year Ended June 30, 2010

Revenue:	
Donations	348,729
Fund Raising	12,039
Stall Rentals, Concessions, Lease & Rental Income	90,287
Livestock and Crop Sales	21,852
Interest Income	228
Total Revenue	<u>473,135</u>
Expenses:	
Accounting and Legal	8,384
Advertising	3,098
Crop Expense	4,350
Depreciation	36,680
Equipment Rental	2,809
Fundraising Expense	1,618
Insurance	4,309
Interest Expense	38,004
Management Fees	1,913
Program Expense - Wages & Fringe Benefits	58,189
Repairs and Maintenance	1,575
Supplies	24,435
Telephone	1,273
Utilities	16,155
Total Expenses and Losses	<u>202,792</u>
Net Increase in Unrestricted Net Assets	270,343
Unrestricted Net Assets - Beginning of Year	<u>2,390,119</u>
Unrestricted Net Assets - End of Year	<u>\$ 2,660,462</u>

The Notes to Financial Statements Are An
Integral Part of These Statements

MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
For the Year Ended June 30, 2010

Cash Flows From Operating Activities:	
Increase in Unrestricted Net Assets	\$ 270,343
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	<u>36,680</u>
Net Cash Provided By Operating Activities	<u>307,023</u>
Cash Flow From Investing Activities:	
Purchase of Fixed Assets	<u>(256,714)</u>
Net Cash Used by Investing Activities	<u>(256,714)</u>
Cash Flows From Financing Activities:	
Repayment of Loan Principal	(49,900)
Loan Proceeds	<u>7,000</u>
Net Cash Used by Financing Activities	<u>(42,900)</u>
Net Increase in Cash and Cash Equivalents	7,409
Cash and Cash Equivalents at Beginning of Year	<u>59,709</u>
Cash and Cash Equivalents at End of Year	<u>\$ 67,118</u>
Other Disclosure:	
Interest Expense Paid During the Year Totaled \$38,004	

The Notes to Financial Statements Are An
Integral Part of These Statements

NOTES TO FINANCIAL STATEMENTS

MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The purpose of Muscatine Agricultural Learning Center (MALC)(the Organization) is to construct, own and operate an agricultural learning center facility (the facility) which will provide (i) educational opportunities for students of Muscatine Community School District and Eastern Iowa Community College District, (ii) educational opportunities for other students in the region and (iii) promote access to agricultural related activities for the general public. MALC, an unincorporated association, operates under the authority of Chapter 28E of the Iowa Code.

Basis of Accounting

The Muscatine Agricultural Learning Center's policy is to prepare its financial statements on a modified cash basis. Under this basis, revenues are recognized when collected rather than when earned, expenditures are recognized when paid rather than when incurred and the acquisition of fixed assets are capitalized. Consequently, revenue receivable, accounts payable, prepaid expenses, and certain accrued expenses at June 30, 2010, are not included in the financial statements. Accordingly, the statements are not intended to present the financial position and results of operation in conformity with generally accepted accounting principles.

Buildings, Furniture, Fixtures and Equipment

Buildings, furniture, fixtures and equipment are capitalized at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Furniture, fixtures and equipment are being depreciated over estimated useful lives of ten years using a straight-line method, with half of a year's depreciation recognized in the years of acquisition and disposal. Buildings are being depreciated over the estimated useful life of 40 years.

Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 – IOWA CHAPTER 28E AGREEMENT

An agreement was made and entered into among the Friends of the Muscatine FFA (an Iowa non-profit corporation), Eastern Iowa Community College District (a governmental agency) and the Muscatine Community School District (a governmental agency). The Muscatine Agricultural Learning Center was organized to include representatives of these three respective organizations and was designated as the legal entity to act on their behalf by virtue of the powers granted to them by Chapter 28E of the Iowa Code.

Muscatine Agricultural Learning Center operates under the authority of Chapter 28E.

NOTE 3 – CAPITAL ASSETS

The Organization's capital assets, additions, disposals and balance for the year ended June 30, 2010 were as follows:

	Balance 2009	Additions	Disposals	Balance 2010
Building	\$ 2,034,483	244,031	-	2,278,514
Equipment	15,113	-	-	15,113
Furniture & Fixtures	14,446	9,758	-	24,204
Land	1,014,391	-	-	1,014,391
Land Improvements	2,618	2,925	-	5,543
	<u>\$ 3,081,051</u>	<u>256,714</u>	<u>-</u>	<u>3,337,765</u>

NOTE 4 – SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through January 20, 2011, the date the financial statements were available to be issued.

NOTE 5 – NOTES PAYABLE

On September 16, 2008 the Organization secured a \$750,389 loan at an interest rate of 5% with Central State Bank for the construction of the Muscatine Agricultural Learning Center facility. The balance at June 30, 2010 was \$700,339. The loan matured on December 31, 2010 and was refinanced until March 31, 2011 at a 5% interest rate requiring payments of interest only for January and February of 2011 with the balance due March 31, 2011.

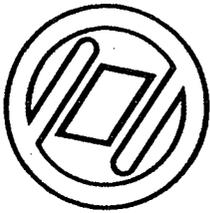
On October 28, 2009, Mr. Richard Maeglin of Muscatine, Iowa loaned the Organization \$7,000 at no interest to purchase cattle paddocks. The note is due in full October 11, 2011.

MUSCATINE AGRICULTURAL LEARNING CENTER
Muscatine, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 - COMPONENT FUND

The Ag Learning Center Charitable Fund is a component fund of the Community Foundation of Greater Muscatine, a 501(c)(3) nonprofit organization. On December 31, 2010, the Ag Learning Center Charitable Fund balance was \$27,238.01, which is included in cash.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Directors
Muscatine Agricultural Learning Center
3200 Lucas Street
Muscatine, Iowa 52761

We have audited the accompanying statement of assets, liabilities and net assets (modified cash basis) of the Muscatine Agricultural Learning Center (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Muscatine Agricultural Learning Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Muscatine Agricultural Learning Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Muscatine Agricultural Learning Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control financial reporting that might be significant deficiencies or material weaknesses; and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a 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. We consider the deficiencies described below to be material weaknesses.

10-IC-1 **General Ledger and Financial Statement Accuracy**

Finding – The Organization engages Muscatine Community School District, Community Foundation of Greater Muscatine and Friends of Muscatine Agricultural Learning Center to maintain records of cash receipts and cash disbursements and process cash disbursements. None of the entities are maintaining a fixed asset schedule or keeping the Organization's books in a trial balance format.

Auditor's Recommendation – We recommend that the Board of Directors choose one bookkeeping firm and determine procedures to assure all processes are properly recorded.

Organization's Response – We will make every effort to implement the auditor's recommendation as quickly as possible.

Auditor's Conclusion – Response accepted.

10-IC-2 **Financial Statement Preparation**

Finding – The Organization does not have a system of internal control that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. As is inherent in many organizations of this size, the Organization has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures.

Auditor's Recommendation – We recommend that the Organization's management consider obtaining additional knowledge through reading relevant accounting literature and seeking professional assistance as necessary.

Organization's Response – The Organization is aware of this requirement and understands the auditor's recommendation. However, the Organization will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion – Response accepted.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The following comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- a. Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- b. Travel Expense – No disbursement of the Muscatine Agricultural Learning Center money for travel expenses of spouses of Organization officials or employees were noted.
- c. Organization Minutes – No transactions were found that we believe should have been included in the minutes but were not.
- d. Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy.

The Organization's responses to findings identified in our audit are described above. While we have expressed our conclusions on the Organization's responses, we did not audit the Organization's responses and, accordingly, we express no opinion on them.

Board of Directors
Muscatine Agricultural Learning Center
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This report, a public record by law, is intended solely for the information of the Organization members, management and is not intended to be and should not be used by anyone other than these specified parties.

TAYLOR, REES, BECKEY & CO., P.C.
Certified Public Accountants

January 20, 2011