

AGRICENTER INTERNATIONAL, INC.

(A Component Unit of Shelby County Tennessee)

Financial Statements

June 30, 2009 and 2008

AGRICENTER INTERNATIONAL, INC.

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June 30, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Agricenter International, Inc.
Memphis, Tennessee

We have audited the accompanying statements of net assets of Agricenter International, Inc. (a component unit of Shelby County, Tennessee) as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Agricenter'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 and those standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 Agricenter International, Inc. as of June 30, 2009 and 2008, and the revenues, expenses, and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2009, on our consideration of Agricenter International, Inc.'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 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 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 read in conjunction with this report in considering the result of our audits.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Fraze Ivy Davis PLC

Fraze Ivy Davis PLC
August 18, 2009

Agricenter International, Inc.
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Introduction

This report, Management Discussion and Analysis, provides an overview of the financial position and results of Agricenter International, Inc. for the year ended June 30, 2009. It has been prepared by management and is required supplemental information to the financial statements and footnotes that follow this section. Comparative information for the year ended June 30, 2008 has been provided in a few select instances.

The referenced financial statements were prepared in accordance with Governmental Accounting Standards and Generally Accepted Accounting Principles. Agricenter International, Inc. is a component unit of Shelby County Tennessee. Shelby County issues its own financial statements which include Agricenter International, Inc.

Agricenter International, Inc. is a self-sustaining, not-for-profit organization that provides economic development and improved quality of life by facilitating agricultural research, educational programs, environmental conservation, natural area preservation and recreational opportunities.

Financial Highlights

The financial position of Agricenter has remained strong through 2008-2009 in spite of the negative impacts of a sluggish economy. At the close of our fiscal year ended June 30, 2009, we had total assets of \$1.965 million, liabilities of \$489,000, and net assets of \$1.476 million. Agricenter's operating loss for the year ended June 30, 2009 was \$252,000 and includes \$215,000 in depreciation charges. The total deficit also includes a loss from Show Place Arena operations for the fiscal year of \$134,000 in the fourth full year of the management agreement with Shelby County Government. Overall, expenses for the year increased by 3.52% over the prior year.

Notes payable decreased by 56.05%. The Kubota note was paid off in November 2008 and \$5,800 in principal payments were made on the Regions loan for the wiring of the dome. We anticipate paying off the remaining \$15,500 Regions loan by the end of the 2009-2010 fiscal year.

Agricenter International, Inc.'s overall financial status is good, yet we have seen some challenges due to the current economic conditions. Farm and Farm Research revenue together increased 43.53% over last year due to a good crop with crop sales up over the 2007-2008 year by \$135,000. Farm Research revenue alone was lower compared to last year due to the changeover of management in our Research program. RV Park revenues decreased due to higher fuel prices and a decline in the casual traveler since November 2008. Also, revenue for events has been lower due to shows cancelling from low vendor participation. Vendors are more selective in the number of events they choose to attend. Event revenue for all venues on the Agricenter property decreased by \$90,000 for the year ended June 30, 2009. See the table below highlighting each cost center within Agricenter for both 2008-2009 and 2007-2008 with the net income or loss for each area:

| Cost Center Name | 2008-2009 | 2007-2008 | Difference |
|---------------------------|---------------------|--------------------|---------------------|
| General administration | \$ (598,340) | \$ (554,568) | \$ (43,772) |
| Agricenter/Corridor | 77,632 | 235,613 | (157,981) |
| Farmers Market | (7,565) | 37,471 | (45,036) |
| Farm | (12,312) | (118,161) | 105,849 |
| Land leases/Catch'em Lake | 305,659 | 254,693 | 50,966 |
| Farm research | 35,174 | 56,779 | (21,605) |
| Show Place Arena | (134,373) | (80,346) | (54,027) |
| AI RV Park | 81,723 | 138,083 | (56,360) |
| Operating income | <u>\$ (252,402)</u> | <u>\$ (30,436)</u> | <u>\$ (221,966)</u> |

Statement of Net Assets

The Statement of Net Assets represents the financial position of Agricenter at the end of the fiscal year and includes all assets and liabilities. Total assets decreased by 11.78%. This includes a decrease in cash and cash equivalents of 40.90% and a decrease in accounts receivable of 28.65% compared to the prior year. We are still collecting for upcoming shows and from regular tenants. Property and equipment was down over the prior year by 6.95%. Property and equipment additions for the year totaled \$90,000 and depreciation expense for the year totaled \$215,000.

Outstanding debt as of June 30, 2009 has decreased 56.05%. The Kubota loan was paid off in November 2008 eliminating a \$262 monthly payment. The Regions loan for the wiring of data and phone lines in the dome area remains the only outstanding debt as of June 30, 2009 and is scheduled to be paid off during the next fiscal year.

Other liabilities increased by 0.16% and deferred revenue decreased by 38.00% over last year. Accounts payable increased by 43.40% over last year, and includes \$84,000 owed for fertilizer purchased for the current crop.

| | FY 2009 | FY 2008 | Dollar Change | Percent Change |
|--|---------------------|---------------------|----------------------|-----------------------|
| Current assets | \$ 290,291 | \$ 427,476 | \$ (137,185) | -32.09% |
| Capital assets | <u>1,675,185</u> | <u>1,800,369</u> | <u>(125,184)</u> | -6.95% |
| Total assets | <u>\$ 1,965,476</u> | <u>\$ 2,227,845</u> | <u>\$ (262,369)</u> | -11.78% |
| Debt outstanding | \$ 15,499 | \$ 35,269 | \$ (19,770) | -56.05% |
| Other liabilities | <u>473,104</u> | <u>472,352</u> | <u>752</u> | 0.16% |
| Total liabilities | <u>\$ 488,603</u> | <u>\$ 507,621</u> | <u>\$ (19,018)</u> | -3.75% |
| Invested in capital assets, net of related debt | \$ 1,659,686 | \$ 1,765,100 | \$ (105,414) | -5.97% |
| Unrestricted | (214,849) | (74,968) | (139,881) | 186.59% |
| Temporarily restricted | <u>32,036</u> | <u>30,093</u> | <u>1,943</u> | 100.00% |
| Total net assets | <u>\$ 1,476,873</u> | <u>\$ 1,720,225</u> | <u>\$ (243,352)</u> | -14.15% |

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents Agricenter's financial activity for the year.

Agricenter International, Inc. has a diverse stream of revenue, which helps during economic downturns or when crop yields decrease. Below is a comparative table detailing the operating activities for the years ended June 30, 2009 and June 30, 2008.

Total revenue for the year ended June 30, 2009 was \$106,000 or 3.26% less than the prior year due to the deteriorating economy in 2008 and 2009. Event revenue from the Agricenter Expo Center and the Show Place Arena decreased by \$90,000 compared to the prior year. Also, The RV Park experienced a \$50,000 decrease in revenue compared to the prior year due mainly to higher gas prices and overall economic conditions. Catch'em Lake revenue increased by \$41,000 over the prior year due in large part to a change in management at the beginning of the 2008-2009 fiscal year. Office and land rents remained relatively level compared to the prior year. As previously mentioned, revenues from crop sales increased by \$135,000 over the prior year.

| | FY 2009 | FY 2008 | Dollar Change | Percent Change |
|---|---------------------|---------------------|---------------------|----------------|
| Other operating revenue | \$ 2,449,048 | \$ 2,679,572 | \$ (230,524) | -8.60% |
| Farm and research revenue | 539,488 | 375,880 | 163,608 | 43.53% |
| In-Kind donations | 162,631 | 202,017 | (39,386) | -19.50% |
| Total revenues | 3,151,167 | 3,257,469 | (106,302) | -3.26% |
| Other operating expenses | 2,520,598 | 2,202,301 | 318,297 | 14.45% |
| Farm expenses | 505,215 | 671,523 | (166,308) | -24.77% |
| In-Kind expenses | 162,631 | 202,017 | (39,386) | -19.50% |
| Depreciation expense | 215,125 | 212,064 | 3,061 | 1.44% |
| Total expenses | 3,403,569 | 3,287,905 | 115,664 | 3.52% |
| Operating income (loss) | (252,402) | (30,436) | (221,966) | 729.29% |
| Net operating expenses, net of non-operating revenues | 9,050 | 10,489 | (1,439) | -13.72% |
| Change in net assets | (243,352) | (19,947) | (223,405) | 1119.99% |
| Beginning net assets | 1,720,225 | 1,740,172 | (19,947) | -1.15% |
| Ending net assets | <u>\$ 1,476,873</u> | <u>\$ 1,720,225</u> | <u>\$ (243,352)</u> | <u>-14.15%</u> |

Expenses for the year ended June 30, 2009 increased by 3.52% due mainly to increases in fertilizer prices, utilities, and payroll expenses. Fertilizer expense increased by 15.68% over the prior year due to higher oil prices. High summer temperatures and rate increases from MLGW led to a 6.84% increase in utilities expense over last year. Payroll expenses increased due to additional staff being hired at a higher rate of pay and a new position for IT Manager.

Capital Assets

To date, Agricenter International, Inc has invested \$4.293 million dollars in capital assets that include leasehold improvements, buildings, farm equipment, landscaping equipment, office equipment and vehicles.

Leasehold improvements increased by 2.47%. We had farmers market improvements of \$51,000 that included building an arbor and refurbishing and tinting windows in the market. These improvements were partially funded by a matching grant from the Tennessee Department of Agriculture. We also replaced the carpet in several offices in the Agricenter. Agricenter purchased a used combine for \$16,000 for utilization in crop research.

Accumulated depreciation increased by \$215,000. Agricenter depreciates assets over the useful life of the asset using straight line depreciation.

The following table reflects the above noted changes:

| | FY 2009 | FY 2008 | Dollar Change | Percent Change |
|---------------------------------|---------------------|---------------------|--------------------------|---------------------------|
| Buildings | \$ 857,895 | \$ 857,895 | \$ - | 0.00% |
| Leasehold improvements | 2,524,920 | 2,466,767 | 58,153 | 2.36% |
| Farm equipment | 177,149 | 161,149 | 16,000 | 9.93% |
| Landscaping and other equipment | 352,087 | 342,802 | 9,285 | 2.71% |
| Donated equipment | 134,197 | 134,197 | - | 0.00% |
| Office equipment | 178,108 | 171,605 | 6,503 | 3.79% |
| Vehicles | 69,386 | 69,386 | - | 0.00% |
| Subtotal | 4,293,742 | 4,203,801 | 89,941 | 2.14% |
| Depreciation | <u>(2,618,556)</u> | <u>(2,403,431)</u> | <u>(215,125)</u> | <u>8.95%</u> |
| Net fixed assets | <u>\$ 1,675,186</u> | <u>\$ 1,800,370</u> | <u>\$ (125,184)</u> | <u>-6.95%</u> |

Contacting the Agricenter International, Inc Management

This financial report is designed to provide the public with a general overview of the Agricenter's finances. You may contact the management of Agricenter International, Inc at 7777 Walnut Grove Road, Memphis, TN 38120 (901) 757-7777.

AGRICENTER INTERNATIONAL, INC.

Statements of Net Assets

June 30, 2009 and 2008

| | ASSETS | |
|---|----------------------------|----------------------------|
| | <u>2009</u> | <u>2008</u> |
| Current assets | | |
| Cash and cash equivalents | \$ 21,255 | \$ 98,140 |
| Certificates of deposit | 163,381 | 214,253 |
| Accounts receivable, net | 65,541 | 91,861 |
| Prepaid expenses | 35,425 | 21,379 |
| Inventory, at cost | 4,689 | 1,843 |
| Total current assets | <u>290,291</u> | <u>427,476</u> |
| Capital assets, net of accumulated depreciation | <u>1,675,185</u> | <u>1,800,369</u> |
| Total assets | <u><u>\$ 1,965,476</u></u> | <u><u>\$ 2,227,845</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ 238,562 | \$ 166,366 |
| Accrued expenses | 129,657 | 136,814 |
| Deferred income | 104,885 | 169,171 |
| Notes payable, current | 8,778 | 11,155 |
| Total current liabilities | <u>481,882</u> | <u>483,506</u> |
| Long-term liabilities | | |
| Notes payable, less current maturities | <u>6,721</u> | <u>24,114</u> |
| Total liabilities | 488,603 | 507,620 |
| Net assets | | |
| Unrestricted (deficit) | (214,849) | (74,968) |
| Invested in capital assets, net of related debt | 1,659,686 | 1,765,100 |
| Temporarily restricted | 32,036 | 30,093 |
| Total net assets | <u>1,476,873</u> | <u>1,720,225</u> |
| Total liabilities and net assets | <u><u>\$ 1,965,476</u></u> | <u><u>\$ 2,227,845</u></u> |

AGRICENTER INTERNATIONAL, INC.

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended June 30, 2009 and 2008

| | 2009 | | | 2008 |
|---|---------------------|------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | |
| Operating revenue | | | | |
| Rental and lease revenue | \$ 1,181,188 | \$ - | \$ 1,181,188 | \$ 1,269,086 |
| Program and special events | 1,187,673 | 22,789 | 1,210,462 | 1,280,043 |
| Farm and research revenue | 539,487 | - | 539,487 | 434,981 |
| In-kind donations | 162,631 | - | 162,631 | 202,017 |
| Other revenue | 57,399 | - | 57,399 | 71,342 |
| Total operating revenue | <u>3,128,378</u> | <u>22,789</u> | <u>3,151,167</u> | <u>3,257,469</u> |
| Reclassifications | | | | |
| Net assets released from restrictions | 20,846 | (20,846) | - | - |
| Total revenue and reclassifications | <u>3,149,224</u> | <u>1,943</u> | <u>3,151,167</u> | <u>3,257,469</u> |
| Operating expenses | | | | |
| Depreciation | 215,125 | - | 215,125 | 212,064 |
| Employee benefits and taxes | 343,342 | - | 343,342 | 281,937 |
| Farm expenses | 201,492 | - | 201,492 | 184,523 |
| In-kind expenses | 162,631 | - | 162,631 | 202,017 |
| Insurance | 133,001 | - | 133,001 | 154,450 |
| Landscaping, repairs, maintenance, and supplies | 255,122 | - | 255,122 | 257,698 |
| Other | 385,343 | - | 385,343 | 299,355 |
| Salaries | 1,232,462 | - | 1,232,462 | 1,248,922 |
| Utilities and waste disposal | 475,051 | - | 475,051 | 446,939 |
| Total operating expenses | <u>3,403,569</u> | <u>-</u> | <u>3,403,569</u> | <u>3,287,905</u> |
| Operating gain (loss) | <u>(254,345)</u> | <u>1,943</u> | <u>(252,402)</u> | <u>(30,436)</u> |
| Non-operating revenues (expenses) | | | | |
| Interest income | 11,508 | - | 11,508 | 13,787 |
| Interest expense | (2,458) | - | (2,458) | (3,298) |
| Total non-operating revenues and expense | <u>9,050</u> | <u>-</u> | <u>9,050</u> | <u>10,489</u> |
| Increase (decrease) in net assets | <u>(245,295)</u> | <u>1,943</u> | <u>(243,352)</u> | <u>(19,947)</u> |
| Net assets, beginning of year | <u>1,690,132</u> | <u>30,093</u> | <u>1,720,225</u> | <u>1,740,172</u> |
| Net assets, end of year | <u>\$ 1,444,837</u> | <u>\$ 32,036</u> | <u>\$ 1,476,873</u> | <u>\$ 1,720,225</u> |

AGRICENTER INTERNATIONAL, INC.

Statements of Cash Flows

For the years ended June 30, 2009 and 2008

| | 2009 | 2008 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Receipts from customers | \$ 1,740,108 | \$ 1,793,978 |
| Receipts from programs and special events | 1,210,462 | 1,280,043 |
| Payments to suppliers | (1,738,047) | (1,692,575) |
| Payments to employees | (1,239,619) | (1,219,456) |
| Net cash flows provided by (used in) operating activities | (27,096) | 161,990 |
| Cash flows from capital and related financial activities | | |
| Payments for interest | (2,458) | (3,298) |
| Principal payments on notes payable | (19,770) | (24,266) |
| Purchases of capital assets | (89,941) | (172,577) |
| Net cash flows used in capital and related financing activities | (112,169) | (200,141) |
| Cash flows from investing activities | | |
| Certificates of deposit, net | 50,872 | (14,253) |
| Receipt of interest income | 11,508 | 13,787 |
| Net cash flows provided by investing activities | 62,380 | (466) |
| Net increase (decrease) in cash and cash equivalents | (76,885) | (38,617) |
| Cash and cash equivalents, beginning of year | 98,140 | 136,757 |
| Cash and cash equivalents, end of year | \$ 21,255 | \$ 98,140 |
| <u>Supplemental Information</u> | | |
| Interest paid | \$ 2,458 | \$ 3,298 |

AGRICENTER INTERNATIONAL, INC.

Statements of Cash Flows (continued)

For the years ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|--------------|-------------|
| Reconciliation of operating loss to net cash flows provided by (used in) operating activities | | |
| Operating loss | \$ (252,402) | \$ (30,436) |
| Adjustments to reconcile operating loss to net cash flows provided by operating activities: | | |
| Depreciation | 215,125 | 212,064 |
| Decrease (increase) in operating assets | | |
| Accounts receivable | 26,320 | (27,333) |
| Prepaid expenses | (14,046) | (1,857) |
| Inventory | (2,846) | 32 |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | 72,196 | (65,848) |
| Accrued expenses | (7,157) | 29,467 |
| Deferred income | (64,286) | 45,901 |
| | \$ (27,096) | \$ 161,990 |
| Net cash flows provided by (used in) operating activities | | |

Note 1 – Summary of significant accounting policies

Organization and nature of operations

Agricenter International, Inc. is a self-sustaining, not-for-profit organization that provides economic development and improved quality of life by facilitating agricultural research, educational programs, environmental conservation, natural area preservation, and recreational opportunities. Agricenter is a not-for-profit corporation established pursuant to the provisions of Code Section 48-304 of the Tennessee General Corporation Act, and 501(c)(3) of the Internal Revenue Code. The activities of Agricenter are overseen by the Shelby County Agricenter Commission, a commission created by the State of Tennessee and approved by vote of the Board of Commissioners of Shelby County. Shelby County provides for Agricenter structural insurance for buildings on the grounds. Agricenter insures and pays all other types of insurance and maintenance of the buildings and grounds. The Agricenter's financial statements are reported as a component unit of Shelby County, Tennessee.

Method of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Agricenter's financial statements are reported as a component unit of Shelby County, Tennessee.

The Agricenter consists of an enterprise fund for the operation of the premises leased from the Shelby County Agricenter Commission. Enterprise funds are classified as proprietary funds by the GASB and are accounted for using a total economic resources management focus. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises.

The intent of the Board is that the costs of providing services on a continuing basis be recorded through user charges.

The Agricenter has elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, and all pronouncements of the Government Accounting Standards Board.

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

Revenue recognition

Lease revenues are recognized at the beginning of each month as they become due. Revenues from event rental are recognized when earned. Revenues from sales of crops are recognized when the crops are sold. Donated revenues are recorded at fair value and are recognized when contributed.

Cash and cash equivalents

For statement of cash flow purposes, Agricenter considers all cash accounts, which are not subject to withdrawal restriction or penalties, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Note 1 –Summary of significant accounting policies (continued)

Accounts receivable

Receivables are primarily due from tenants and special events. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience and other circumstances which may affect the ability of customers to meet their obligations. The allowance was \$7,859 and \$13,953 at June 30, 2009 and 2008, respectively. It is the organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Income taxes

The Organization is exempt from federal income tax 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. These activities resulted in income tax expense of \$1,199 and \$943 for the years ended June 30, 2009 and 2008, respectively.

Capital assets

Capital assets are stated at cost when purchased or fair value when donated. Expenditures for additions and major improvements in excess of \$500 are capitalized and those for maintenance and repairs are charged to expense as incurred. Depreciation on all exhaustible capital assets is charged as an expense against operations. Depreciation is computed on various methods over the estimated useful lives of the assets, which range from 3 to 30 years. Depreciation expense was \$215,125 and \$212,064 for the years ended June 30, 2009 and 2008, respectively.

Inventories

Inventories are valued at the lower of cost or market as determined by the first-in, first-out method.

In-kind donations

Contributions of donated non-cash assets are recorded at their fair values in the period received. Various agriculture related companies provide farm chemicals, fertilizers, seed and the use of equipment for the Agricenter's farm and research operations. These amounts are reflected in the accompanying financial statements as in-kind donations and are offset by like amounts in farm expenses or capitalized as donated farm equipment.

Advertising costs

All advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2009 and 2008 was \$5,800 and \$8,849, respectively.

Comparative Data

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

AGRICENTER INTERNATIONAL, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

Note 1 – Summary of significant accounting policies (continued)

Reclassifications

Certain reclassifications have been made to the June 30, 2008 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2 – Concentration of credit risk/cash balances and investments

The Company's policy is to limit investments to certificates of deposit of various terms with a number of financial institutions. At times these investments may be in excess of federally insured limits.

| | 2009 | 2008 |
|--|------------|------------|
| Total deposits at banks | \$ 184,636 | \$ 312,393 |
| Total insured by FDIC | 184,636 | 298,140 |
| Deposits in excess of federally insured limits | \$ - | \$ 14,253 |

Note 3 – In-kind donations

The Agricenter recognized in-kind donations for the years ended June 30, 2009 and 2008 as follows and are reflected in the financial statements:

| | 2009 | 2008 |
|---------------------------------|------------|------------|
| Chemical, fertilizers and seeds | \$ 142,901 | \$ 158,512 |
| Field day | - | 14,398 |
| Advertising | 19,730 | 18,950 |
| Total | 162,631 | 191,860 |
| Adjustments | - | 10,157 |
| In-kind expenses | \$ 162,631 | \$ 202,017 |
| In-kind donations | \$ 162,631 | \$ 202,017 |

AGRICENTER INTERNATIONAL, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

Note 4 – Capital assets

Summaries of changes in Agricenter’s capital assets for 2009 and 2008 are as follows:

| | BALANCE 6/30/08 | ADDITIONS RECLASS- IFICATIONS | DELETIONS/ RECLASS- IFICATIONS | BALANCE 6/30/09 |
|---------------------------------|---------------------|-------------------------------------|--------------------------------------|---------------------|
| <u>June 30, 2009</u> | | | | |
| Buildings | \$ 857,895 | \$ - | \$ - | \$ 857,895 |
| Leasehold improvements | 2,466,766 | 58,154 | - | 2,524,920 |
| Farm equipment | 161,149 | 16,000 | - | 177,149 |
| Donated equipment | 134,197 | - | - | 134,197 |
| Landscaping and other equipment | 342,802 | 9,285 | - | 352,087 |
| Office equipment | 171,605 | 6,502 | - | 178,107 |
| Vehicles | 69,386 | - | - | 69,386 |
| Total capital assets | <u>4,203,800</u> | <u>89,941</u> | <u>-</u> | <u>4,293,741</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 406,936 | 27,970 | - | 434,906 |
| Leasehold improvements | 1,434,162 | 120,759 | - | 1,554,921 |
| Farm equipment | 115,449 | 9,018 | - | 124,467 |
| Donated equipment | 75,005 | 6,484 | - | 81,489 |
| Landscaping and other equipment | 186,442 | 32,494 | - | 218,936 |
| Office equipment | 140,237 | 12,464 | - | 152,701 |
| Vehicles | 45,200 | 5,936 | - | 51,136 |
| | <u>2,403,431</u> | <u>215,125</u> | <u>-</u> | <u>2,618,556</u> |
| Net capital assets | <u>\$ 1,800,369</u> | <u>\$ (125,184)</u> | <u>\$ -</u> | <u>\$ 1,675,185</u> |
| | | | | |
| | BALANCE 6/30/07 | ADDITIONS RECLASS- IFICATIONS | DELETIONS/ RECLASS- IFICATIONS | BALANCE 6/30/08 |
| <u>June 30, 2008</u> | | | | |
| Buildings | \$ 857,895 | \$ - | \$ - | \$ 857,895 |
| Leasehold improvements | 2,352,314 | 114,452 | - | 2,466,766 |
| Farm equipment | 135,149 | 26,000 | - | 161,149 |
| Donated equipment | 134,197 | - | - | 134,197 |
| Landscaping and other equipment | 330,395 | 12,407 | - | 342,802 |
| Office equipment | 170,237 | 1,368 | - | 171,605 |
| Vehicles | 51,036 | 18,350 | - | 69,386 |
| Total capital assets | <u>4,031,223</u> | <u>172,577</u> | <u>-</u> | <u>4,203,800</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 378,251 | 28,685 | - | 406,936 |
| Leasehold improvements | 1,316,299 | 117,863 | - | 1,434,162 |
| Farm equipment | 109,544 | 5,905 | - | 115,449 |
| Donated equipment | 67,914 | 7,091 | - | 75,005 |
| Landscaping and other equipment | 152,942 | 33,500 | - | 186,442 |
| Office equipment | 126,216 | 14,021 | - | 140,237 |
| Vehicles | 40,201 | 4,999 | - | 45,200 |
| | <u>2,191,367</u> | <u>212,064</u> | <u>-</u> | <u>2,403,431</u> |
| Net capital assets | <u>\$ 1,839,856</u> | <u>\$ (39,487)</u> | <u>\$ -</u> | <u>\$ 1,800,369</u> |

AGRICENTER INTERNATIONAL, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

Note 5 – Notes payable

Notes payable at June 30, 2009 and 2008, consisted of the following:

| | 2009 | 2008 |
|---|------------------|------------------|
| Note payable to Regions Bank, 6.25% interest, due in monthly installments of \$795 principal and interest, maturing December 28, 2011 | \$ 15,499 | \$ 29,440 |
| Note payable to Kubota Credit Corp, 3.99% interest, due in monthly installments of \$288 principal and interest, maturing March 1, 2010 | - | 5,829 |
| | 15,499 | 35,269 |
| Total notes payable | 15,499 | 35,269 |
| Less current maturities | 8,778 | 11,155 |
| | \$ 6,721 | \$ 24,114 |

Future scheduled maturities payable at June 30, 2009, are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|------------------|
| 2010 | \$ 8,778 |
| 2011 | 6,721 |
| | \$ 15,499 |

Revolving line of credit

The Agricenter has a \$250,000 revolving line of credit, of which \$250,000 was unused at June 30, 2009. Bank advances on the credit line are payable on demand and carry an interest rate of 1% over prime. The credit line is secured by the inventory, accounts, equipment, and fixtures of the Agricenter.

AGRICENTER INTERNATIONAL, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

Note 6 – Lease income

The Agricenter leases land and buildings and office space to tenants on a fixed-fee basis. The Agricenter also rents space for special events.

Future minimum rentals from noncancellable operating leases are as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|---------------------|
| 2010 | \$ 640,736 |
| 2011 | 455,639 |
| 2012 | 161,782 |
| 2013 | 27,747 |
| 2014 | 17,000 |
| Thereafter | <u>60,000</u> |
| | <u>\$ 1,362,904</u> |

Note 7 – Lease agreement with Shelby County Agricenter Commission

The Agricenter leases approximately 1,000 acres, which includes the main building, farmers markets, farm shop, and recycling plant located at Shelby Farms, from the Shelby County Agricenter Commission. The lease agreement provides that the Agricenter will pay annually a minimum rent of \$1. The term of the lease is for a period of 10 years beginning February 1, 2005, with three 10 year renewal options. This in-kind donation and related expense have not been reflected in the financial statements.

Additional payments of \$20,000 annually paid to the Agricenter Commission are to be used for repairs and maintenance to the Agricenter facility or other purposes as determined by the Commission that comply with the mission of the Agricenter. This contingency fund will be paid to a maximum of \$200,000.

Note 8 – Agreement with Shelby County

The Agricenter entered into a lease with Shelby County on April 1, 2006, concerning approximately 300 acres of farmland located at Shelby Farms. The agreement allows for the Agricenter to farm this land with rent due to Shelby County of \$4,000 annually.

Agricenter International has a management agreement with Shelby County Government to manage the Show Place Arena. The term of this Contract (the "Term") began on January 31, 2005 and continues through December 31, 2011. The Contract may be extended upon mutual written consent of the parties for one additional three (3) year period.

Note 9 – Retirement plans

The Agricenter sponsors a 401(a) Retirement Plan to provide retirement benefits for employees who meet certain eligibility requirements. The Agricenter contributes 4% of each participant's gross wages into the Plan. The Plan provides for full vesting upon participation in the plan. The Agricenter's contributions during the years ended June 30, 2009 and 2008 were \$36,098 and \$33,494, respectively. Effective July 1, 2006, Agricenter sponsored a 401(k) retirement plan under which employees may defer a portion of compensation up to the IRS limitation for the year. Contributions are fully vested and may not be withdrawn except for termination, death, disability or retirement at age 65.

AGRICENTER INTERNATIONAL, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

Note 10 – Risk management

It is the policy of the Agricenter to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker’s compensation, employee health and accident, and environmental. Payments of premiums for these policies are recorded as expenses of the Agricenter. Buildings included in the lease from the Shelby County Agricenter Commission are insured by Shelby County. Insurance settlements have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage compared to prior years.

Note 11 – Compensated absences

As of June 30, 2009 and 2008, the Agricenter had accrued vacation pay in the amount of \$34,905 and \$35,959, respectively.

Note 12 – Other expenses

Other expenses at June 30, 2009 and 2008 consisted of the following:

| | <u>2009</u> | | | <u>2008</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
| Other operating expenses | | | | |
| Advertising, marketing, and promotion | \$ 5,800 | \$ - | \$ 5,800 | \$ 8,849 |
| Bad debts | 2,900 | - | 2,900 | - |
| Contract labor | 2,478 | - | 2,478 | 9,342 |
| Education | 102,131 | - | 102,131 | 8,843 |
| IT supplies | 2,935 | - | 2,935 | - |
| Janitorial | 39,239 | - | 39,239 | 37,944 |
| Legal and professional | 42,658 | - | 42,658 | 45,995 |
| Miscellaneous | 8,309 | - | 8,309 | 11,535 |
| Office and computer supplies | 16,515 | - | 16,515 | 16,337 |
| Program and special events | 50,391 | - | 50,391 | 54,319 |
| Rent, equipment | 20,515 | - | 20,515 | 11,862 |
| Security | 4,132 | - | 4,132 | 4,664 |
| Seminars and meeting | 17,791 | - | 17,791 | 14,974 |
| Taxes and licenses | 7,048 | - | 7,048 | 5,895 |
| Telephone | 44,124 | - | 44,124 | 43,526 |
| Travel | 18,377 | - | 18,377 | 25,270 |
| | <u>\$ 385,343</u> | <u>\$ -</u> | <u>\$ 385,343</u> | <u>\$ 299,355</u> |

AGRICENTER INTERNATIONAL, INC.

Notes to the Financial Statements

June 30, 2009 and 2008

Note 13 – Temporarily restricted net assets

Temporarily restricted net assets consisted of the following as of June 30, 2009 and 2008:

| | <u>2009</u> | <u>2008</u> |
|----------------------|-------------------------|-------------------------|
| Purpose restrictions | | |
| Education | <u>\$ 32,036</u> | <u>\$ 30,093</u> |
| Total | <u><u>\$ 32,036</u></u> | <u><u>\$ 30,093</u></u> |

For the years ended June 30, 2009 and 2008, net assets were released from restrictions by incurring expenses satisfying the purpose restriction imposed by donors as follows:

| | <u>2009</u> | <u>2008</u> |
|----------------------|-------------------------|------------------------|
| Purpose restrictions | | |
| Education | <u>\$ 20,846</u> | <u>\$ 8,843</u> |
| Total | <u><u>\$ 20,846</u></u> | <u><u>\$ 8,843</u></u> |

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



Board of Directors
Agricenter International, Inc.
Memphis, Tennessee

We have audited the financial statements of Agricenter International, Inc. (the Agricenter) (a component unit of Shelby County, Tennessee) as of and for the year ended June 30, 2009, and have issued our report thereon dated August 18, 2009. 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 Agricenter'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 an opinion on the effectiveness of the Agricenter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agricenter's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agricenter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, Shelby County, and the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

Fraze Ivy Davis PLC

Fraze Ivy Davis PLC
August 18, 2009

AGRICENTER INTERNATIONAL, INC.

*A-133 Single Audit Report:
Summary Schedule of Prior Audit Findings*

For the year ended June 30, 2008

Finding 08-01

Finding: Cash accounts were maintained at balances that exceeded F.D.I.C. insurance coverage and were uncollateralized.

Recommendation: All cash accounts should be maintained at levels below F.D.I.C. coverage in order to minimize risk of loss.

Status of finding

As a result of increased F.D.I.C. coverage this finding has been corrected.