

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)
FINANCIAL STATEMENTS
June 30, 2022 and 2021



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AGRICENTER INTERNATIONAL, INC.

MANAGEMENT AND GOVERNANCE OFFICIALS

June 30, 2022

Agricenter Management Staff

John Butler, President
Alex Longmire, Sales and Marketing Coordinator, Expo Center
Allison Flynn, Brand Manager
Ardis Porter, VESTA Program Manager
Bruce Kirksey, Director of Farm and Research
Frank Ware, Building Manager
Jamie White, Manager and Director of Sales of Showplace Arena
Mark Fabel, Customer Experience & Security Manager
Mark Hoggard, RV Park
Mark Moore, Operations Director
Pam Robinson, Safety and Compliance Manager
Patricia Howard, Director of Accounting*
Patrick Ellis, Farmer's Market Manager
Tim Roberts, Director of Education

Agricenter Board of Directors

Marjory Walker, Chair	Earl Grochau
Mike Pryor, Vice Chair	Andrew Jordan
Willie German, Secretary	Sean McCarty
Garner Williams, Treasurer	Dian Berryman McGuire
John Butler, President	Mollie Newman
Joe McKinnon, At Large Member	Tim Price
Margaret Oldham, At Large Member	Larry Robinson
Charles Askew	Hunt Shipman
Colleen Coury	Gary Taylor
Mike Dennison	Jim Todd
Marlon Foster	Brad Williams
Joe Fulmer	

Agricenter Commission

Bill Gillon, Chair	The Honorable Mark Luttrell
Dorothy Cleaves, Vice Chair	Cliff Norville
Ken Plunk, Advisory Committee	Chris Triplett
John Charles Wilson, Advisory Committee	Katherine L. Frazier, Liaison
David Bradford	Richard Hollis, Advisory Committee
Marlon Foster	

*- Employee with financial oversight responsibility

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Agricenter International, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of net position of the Agricenter International, Inc. (the Agricenter) as of and for the years ended June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements which comprise the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agricenter as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agricenter, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agricenter's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agricenter's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agricenter's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2022, the Agricenter adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agricenter International, Inc.'s basic financial statements. The accompanying supplementary schedule and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule and schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of management and government officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the Agricenter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Agricenter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agricenter's internal control over financial reporting and compliance.



Memphis, Tennessee
December 9, 2022

Agricenter International, Inc.
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Agricenter International, Inc. (Agricenter) is a not-for-profit organization that is dedicated to advancing knowledge and understanding of agriculture. As a 501(c)(3), the activities of the organization have been overseen by the Board of Directors since 1979. The Shelby County Agricenter Commission, created by the State of Tennessee and approved by the Board of Commissioners of Shelby County in 1981, oversees the use of the land. Together, these two entities work in unity to move the mission of the non-profit forward. Agricenter's financial statements are reported as a component unit of Shelby County, Tennessee.

Agricenter International emphasizes its leadership role in the Mid-South and the Mississippi Delta Region, where producers and consumers from across the nation and the world can see the latest technology in agricultural science exhibited and demonstrated under productive farm conditions. The 2018 launch of a new strategic planning initiative continues to provide the organization with a clear pathway moving forward. The implementation of the strategic business plan began in 2018-19 and will be used as a guide for future managerial decisions.

Agricenter is one of two non-profit organizations situated on the 4,500-acre track known as Shelby Farms Park. Agricenter leases approximately 1,000 acres (which includes the Expo Center, Showplace Arena, Farmer's Market, and Research Farm) from Shelby County Agricenter Commission. The Commission has an oversight function of land use as it relates to the mission of the Agricenter.

The management of Agricenter International, Inc. presents this narrative overview and analysis of the financial position and results of operations of Agricenter for the year ended June 30, 2022. This discussion has been prepared by management as required supplemental information to the financial statements and footnotes that follow this section and should be read in conjunction with them. Comparative information for the years ended June 30, 2021 and 2020 have been provided in certain instances to provide insight into changes in financial position and results of operations from one fiscal period to another.

Accounting principles generally accepted in the United States of America for governmental entities are established by the Governmental Accounting Standards Board (GASB). This annual financial report uses the standards established by the GASB's Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Agricenter prepares its financial statements in accordance with Governmental Accounting Standards and Generally Accepted Accounting Principles. Agricenter is a component unit of Shelby County, Tennessee. Shelby County issues its own financial statements which include Agricenter International, Inc.

2022 Financial Highlights

- At the close of the fiscal year ended June 30, 2022, Agricenter had total assets of \$11,833,861, liabilities of \$715,941, deferred inflows of resources of \$6,738,745 and net position of \$4,379,175.
- Agricenter's change in net position for the year ended June 30, 2022 was \$1,125,628 and includes \$331,348 in depreciation expense.
- Operating income reflects a loss of \$14,834 from Showplace Arena operations in the 17th full year of the management agreement with Shelby County Government.
- Total gross revenue increased by 1% over the prior year. Total expenses remained approximately the same compared to the prior year.
- Long term notes payable decreased from \$390,817 to \$0. Current notes payable decreased from \$98,035 to \$0.
- Agricenter International maintains a \$250,000 operating line of credit. This line of credit is primarily used for operating capital between the spring planting season and the fall harvest as well as to provide temporary financing on capital projects. The line did not have a balance as of June 30, 2022.

Statements of Net Position

The statement of net position presents the financial position of Agricenter at the end of the fiscal year and includes all assets and liabilities. Condensed statements of net position as of June 30 are presented below:

	2022	2021	2020
Current and other assets	\$ 9,448,085	\$ 2,579,631	\$ 1,859,767
Capital assets	2,385,776	2,107,155	2,212,732
Total assets	11,833,861	4,686,786	4,072,499
Debt outstanding	-	488,852	548,660
Other liabilities	715,941	944,387	1,114,541
Total liabilities	715,941	1,433,239	1,663,201
Deferred inflows of resources	6,738,745	-	-
Net investment in capital assets	2,385,776	1,618,303	1,664,072
Unrestricted	1,993,399	1,635,244	745,226
Total net position	\$ 4,379,175	\$ 3,253,547	\$ 2,409,298

Total current assets increased by 266% over the previous year. The primary cause of the increase is the adoption of a new accounting standard, Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. This change requires the recognition of a lease receivable and a deferred inflow of resources, based on the principle that leases are financings of the right to use an underlying asset. In the current year, the new standard caused an increase of \$6,759,855. Other increases include 54% increase in accounts receivable and an 11% decrease in cash compared to the prior year. The increase of accounts receivable is generally attributed to the timing of payments from customers at year end. The decrease in cash is primarily due to the receipt of a Payroll Protection Program loan, a Tennessee CARES Act payment, in the prior year that were not present in the current year.

Capital assets increased by 13% compared to 2021, which reflects capitalized leasehold improvements and equipment purchases totaling \$610,883, depreciation expense of \$331,348 and asset disposals totaling \$20,068.

Total debt outstanding decreased by 100% as compared to 2021. There was no outstanding debt as of June 30, 2022.

Statements of Revenues, Expenses and Changes in Net Position

Agricenter International, Inc. has a diverse revenue stream, which helps to mitigate the impact of economic downturns or fluctuations in crop prices or production yields. The condensed statements of revenues, expenses and changes in net position for the fiscal years ended June 30 are presented below:

	2022	2021	2020
Rental and Program Revenue	\$ 4,126,277	\$ 3,018,937	\$ 3,280,991
Farm and Research Revenue	792,320	888,931	633,139
Other Revenue	870,836	1,673,176	3,078,174
Total revenues	5,789,433	5,581,044	6,992,304
Non-Farm Expenses	3,884,126	4,754,247	6,558,891
Farm Expenses	973,192	154,895	153,862
Depreciation Expense	331,348	338,501	379,441
Total Expenses	5,188,666	5,247,643	7,092,194
Operating Income	600,767	333,401	(99,890)
Other Income (Expense)	524,861	510,848	22,918
Change in Net Position	\$ 1,125,628	\$ 844,249	\$ (76,972)

Total revenues for the year ended June 30, 2022 increased by \$208,389 or almost 4% over the prior year. Approximately \$100,000 of this increase is due to the adoption of GASB No. 87.

Non-farm expenses decreased by \$250,409 or 6% over the previous year due primarily to bad debt posted in prior year that did not recur and a decrease in grant- related expenses.

Agricenter hosts events and expositions as well as indoor and outdoor shows in its “Agricenter corridor” space to bring the public to a place where it showcases agriculture and the positive impact agriculture has on our state, region, and nation. Agricenter hosted 75 events, meetings, and expositions in 2021-2022 as compared to 225 in 2020-2021. Events and expositions include the seasonal shopping shows, The Delta Fair, livestock exhibitions, and 4-H activities. Agricenter also rents office space and land to organizations with agriculture or educational related missions. In 2021-2022, Agricenter leased 27,390 square feet of office space to 19 tenants and 188 acres of land within its 1,000 acre campus.

Agricenter provides agricultural field crop research plots to agribusinesses, university systems, and government and non-government organizations. Agricenter conducts applied field crop research in a unique location in the heart of Shelby County, Tennessee, which many consider the epicenter of southern row-crop agriculture. In calendar crop year 2021, Agricenter provided 214 research trials that covered 445 acres to 65 organizations seeking trials for products and processes.

To maintain its competency as a working farm, and to take advantage of demonstration and educational opportunities to showcase row crop production, Agricenter produces corn, soybeans and cotton on the land that is not utilized in crop research. In calendar crop year 2021, Agricenter produced these crops on 115 acres of its complex. The 2021 crop season saw a slight increase in commodity prices and an overall increase in yield. Total production crop revenue increased by \$20,743 over 2021. Total farm research revenue decreased by \$117,534 over the previous year due to timing of the research trials. However, the total number of trials performed continues to increase over previous years.

Gross revenues generated from the Agricenter RV Park increased by \$76,211 over the previous year. Event revenue for all event venues on Agricenter property increased by \$629,022 over the previous year.

Agricenter hosted its annual gala Feast on the Farm in August 2021. Following a year of COVID related restrictions, Agricenter’s educational programs increased in the current year from approximately 1,700 school children to 2,900.

The table below highlights cost centers within Agricenter for the fiscal years ended June 30:

Cost Center:	<u>2022</u>	<u>2021</u>	<u>2020</u>
Farm Research	\$ (43,794)	\$ 297,966	\$ (130,720)
Education	(110,785)	(85,154)	(194,418)
Land Leases	212,424	222,205	333,207
Agricenter Corridor / Expo Center	68,388	(398,056)	(217,609)
Show Place Arena	(14,834)	(138,641)	(197,951)
Farmers Market	(166,277)	(83,007)	(43,654)
RV Park	482,457	495,013	344,843
Grants	171,110	(277)	29,330
Other income	526,939	534,200	-
Change in net position	<u>\$ 1,125,628</u>	<u>\$ 844,249</u>	<u>\$ (76,972)</u>

Capital Assets

Agricenter strategically invests in capital assets to increase our ability to meet the goals of our mission and to improve aged buildings. In the current year, Agricenter invested over \$600,000 in capital assets, which were funded by cash. Over \$200,000 was spent on leasehold improvements. Additionally, equipment was purchased for the farm and for equine and livestock activities and events. Fixed asset disposals in the current year were \$18,223. Agricenter depreciates assets over the useful live of the asset using straight-line depreciation.

The following table reflects the above noted changes at June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Buildings	\$ 1,007,324	\$ 948,761	\$ 948,761
Leasehold Improvements	4,261,151	4,023,861	4,141,140
Farm Equipment	781,354	709,623	644,351
Landscaping and Other Equipment	642,177	543,008	574,989
Donated Equipment	146,637	146,637	146,637
Office Equipment	171,567	110,132	117,226
Vehicles	96,373	96,373	123,475
Subtotal	<u>7,106,583</u>	<u>6,578,395</u>	<u>6,696,579</u>
Accumulated depreciation	<u>(4,794,354)</u>	<u>(4,482,165)</u>	<u>(4,507,181)</u>
Net Capital Assets	<u>\$ 2,312,229</u>	<u>\$ 2,096,230</u>	<u>\$ 2,189,398</u>
Capital assets, not being depreciated	<u>\$ 73,547</u>	<u>\$ 10,925</u>	<u>\$ 23,334</u>

Budgetary Highlights

Agricenter International budgets conservatively. Revenues and expenses are budgeted based on historic trends. The Agricenter Board of Directors receives bi-monthly financial statements for review. Part of the review process includes a budget vs. actual comparison. Any significant year to date variances are discussed during board meetings as well as Finance Committee meetings.

Contacting Agricenter International, Inc. Management

This financial report is designed to provide citizens, taxpayers, exhibitors, contributors, and creditors with a general overview of the Agricenter's finances and to show the organization's management philosophy toward financial stability. Questions concerning any of the information provided in this report or requests for additional information may be addressed to the management of Agricenter International, Inc. at 7777 Walnut Grove Road, Memphis, TN 38120.

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

STATEMENTS OF NET POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,739,490	\$ 1,954,525
Accounts receivable, net	674,955	492,855
Prepaid expenses	12,461	10,948
Agricultural inventory	177,963	121,303
Lease receivable, current	876,450	-
Total current assets	3,481,319	2,579,631
Noncurrent Assets:		
Capital assets, not being depreciated	73,547	10,925
Capital assets, net	2,312,229	2,096,230
Total capital assets	2,385,776	2,107,155
Interest receivable	18,257	-
Lease receivable, net of current portion	5,948,509	-
Total noncurrent assets	8,352,542	2,107,155
Total assets	11,833,861	4,686,786
LIABILITIES		
Current Liabilities:		
Accounts payable	128,578	180,017
Accrued expenses	247,884	237,645
Unearned revenue	320,479	503,725
Security deposits	19,000	23,000
Notes payable due within one year	-	98,035
Total current liabilities	715,941	1,042,422
Noncurrent Liabilities:		
Notes payable due in more than one year	-	390,817
Total liabilities	715,941	1,433,239
DEFERRED INFLOWS OF RESOURCES		
Leases	6,738,745	-
NET POSITION		
Net investment in capital assets	2,385,776	1,618,303
Unrestricted	1,993,399	1,635,244
Total net position	\$ 4,379,175	\$ 3,253,547

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

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended June 30, 2022 and 2021

	2022	2021
Operating Support and Revenues:		
Rental and lease revenue	\$ 2,189,391	\$ 2,035,077
Program and special events	1,936,886	983,860
Agricultural research and farm revenue	792,320	888,931
Contributions and grants	502,883	1,470,671
Education revenue	52,019	50,309
In-kind contributions	88,381	142,430
Other revenue	10,005	9,766
Lease interest income	217,548	-
Total operating support and revenues	5,789,433	5,581,044
Operating Expenses:		
Salaries and wages	1,673,259	1,239,825
Utilities and waste disposal	771,264	625,395
Employee benefits and taxes	365,311	269,870
Depreciation	331,348	338,501
Landscaping, repairs, maintenance and supplies	213,216	229,151
Insurance	213,365	180,925
Education	130,251	100,783
Legal and professional	213,706	73,986
Farm supplies	134,089	144,895
Equipment rental	97,296	137,558
Program and special events	343,773	158,223
Telephone	45,224	40,217
Janitorial	27,792	20,974
Travel	45,737	13,808
Advertising, marketing and promotion	26,712	25,670
Office and computer supplies	38,912	33,016
Bank charges	26,533	18,596
Taxes and licenses	9,899	10,972
Security	81,932	32,297
Contract labor	175,316	140,103
Grant expenses	137,358	1,269,184
Seminars and meetings	5,858	1,665
IT Supplies	30,563	4,127
Bad debts	10,000	121,479
Miscellaneous	39,952	16,423
Total operating expenses	5,188,666	5,247,643
Operating income (loss)	600,767	333,401

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

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

For the Years Ended June 30, 2022 and 2021

	2022	2021
Nonoperating Revenues (Expenses):		
Interest income	3,160	1,169
Interest expense	(4,333)	(8,097)
Loss on disposal of capital assets	(910)	(16,424)
Employee Retention Credit and reimbursements	117,744	125,000
Income from forgiveness of Paycheck Protection Program loan	409,200	409,200
Total nonoperating revenues	524,861	510,848
 Change in net position	 1,125,628	 844,249
Total net position - beginning	3,253,547	2,409,298
Total net position - ending	\$ 4,379,175	\$ 3,253,547

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

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Receipts from customers and grantors	\$ 5,207,230	\$ 5,778,664
Payments to suppliers	(2,908,461)	(3,453,483)
Payments to employees	(2,028,331)	(1,610,478)
Other receipts (payments)	88,487	-
Net cash provided by operating activities	358,925	714,703
CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES		
Federal operating grants	117,744	-
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(610,879)	(249,348)
Proceeds from issuance of note payable	-	409,200
Principal payments on notes payable	(79,652)	(59,808)
Interest paid	(4,333)	(8,097)
Net cash from (used for) capital and related financing activities	(694,864)	91,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	3,160	1,169
Net increase (decrease) in cash and cash equivalents	(215,035)	807,819
Cash and cash equivalents - beginning of the year	1,954,525	1,146,706
Cash and cash equivalents - end of the year	\$ 1,739,490	\$ 1,954,525

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

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 600,767	\$ 333,401
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	331,348	338,501
Bad debts	10,000	121,479
Change in assets and liabilities:		
Accounts receivable	(192,100)	29,235
Accrued interest	(18,257)	-
Leases receivable	(6,824,959)	-
Prepaid expenses	(1,513)	(8,532)
Agricultural inventory	(56,660)	(54,227)
Accounts payable	(51,439)	(271,154)
Accrued expenses	10,239	179,094
Unearned revenue	(183,246)	(65,794)
Security deposits	(4,000)	(12,300)
Deferred inflows from leases	6,738,745	-
Total adjustments	(241,842)	256,302
Net cash provided by operating activities	\$ 358,925	\$ 589,703

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

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Agricenter International, Inc. ("the Agricenter") is a not-for-profit organization that is dedicated to advancing knowledge and understanding of Agriculture. The activities of the 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 the Agricenter's land, buildings, and structural insurance for buildings on the grounds. The 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.

Measurement Focus, Basis, and Method of Accounting

The Agricenter is accounted for as an enterprise fund. The accounting policies of the Agricenter conform to U.S. generally accepted accounting principles as applied to governmental units.

The financial statements are reported for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the Agricenter. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Agricenter. All other expenses are reported as non-operating expenses.

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.

Concentration of Credit Risk

The Agricenter maintains its cash in bank deposit accounts which at times may exceed the federally insured limit of \$250,000. The Agricenter has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk for cash and cash equivalents.

In-Kind Contributions

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of capital assets are recorded as unrestricted contributions at the date of donation unless the donor has restricted the donated asset to a specific purpose.

Advertising Costs

All advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2022 and 2021 was \$26,712 and \$25,670, respectively.

Cash and Cash Equivalents

For statements of net position and cash flow purposes, the Agricenter considers all cash accounts, which are not subject to significant withdrawal restrictions or penalties, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. At June 30, 2022 and 2021, cash and cash equivalents included money market accounts of \$1,739,490 and \$1,954,525, respectively.

Accounts Receivable

The Agricenter records accounts receivable at estimated net realizable value. Management records an allowance for doubtful accounts based upon estimates of uncollectible accounts, determined by analysis of specific accounts and general reserve based upon aging of outstanding balances. Past due balances of delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. At June 30, 2021 and June 30, 2022, allowance for doubtful accounts was \$20,000 and \$30,000, respectively.

Inventory

Inventory consists of donated agricultural chemicals and seed for farm production. Inventory is valued at market value at the date of donation (what the Agricenter would have to pay for the chemicals if they had not been donated).

Capital Assets

Capital assets are stated at acquisition cost, if purchased, and estimated fair value at the date of the contribution, if contributed. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 39 years.

Net Position

Net position is displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any notes payable that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions enabling legislation.
- c. Unrestricted net position – any other net position that does not meet the definition of “restricted” or “invested in capital assets.”

Compensated Absences

The Agricenter’s employees are granted personal time off (PTO) in varying amounts in accordance with administrative policies. Accumulated PTO in excess of twenty days will not carry forward at the end of the fiscal year and is lost. There are no provisions for the purchase of unused PTO and employees are not compensated for accumulated PTO at termination.

Income Tax Exemption

The Agricenter is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Donations to the Agricenter are deductible by the donor as charitable contributions for federal income tax purposes. The Agricenter files an exempt return in the U.S. federal jurisdiction.

Deferred Inflows of Resources

The separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Lease related amounts reported in this category are recognized at the inception of leases in which the Agricenter is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow or resources is recognized in a systematic and rational manner over the term of the lease.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Adoption of New Accounting Standard

Agricenter International, Inc. implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated into the Agricenter’s financial statements for the year ended June 30, 2022 but had no effect on the beginning net position since deferred inflows equal the amount of the lease receivable.

Date of Management's Review

Management has evaluated subsequent events through December 9, 2022, the date the financial statements were available to be issued, and is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2020	Reclassification	Additions	Disposals	Balance June 30, 2021
Capital assets, not being depreciated:					
Construction in progress	\$ 23,334	\$ (23,334)	\$ 10,925	\$ -	\$ 10,925
Capital assets:					
Buildings	\$ 948,761	\$ -	\$ -		\$ 948,761
Leasehold improvements	4,141,140	23,334	124,764	(265,377)	4,023,861
Farm equipment	644,351	-	69,698	(4,426)	709,623
Donated equipment	146,637	-	-		146,637
Landscaping/ other equipment	574,989	-	26,663	(58,644)	543,008
Office equipment	117,226	-	13,080	(20,174)	110,132
Vehicles	123,475	-	4,213	(31,315)	96,373
Total capital assets, being depreciated	6,696,579	23,334	238,418	(379,936)	6,578,395
Less accumulated depreciation	(4,507,181)	-	(338,501)	363,517	(4,482,165)
Total capital assets being depreciated, net	\$ 2,189,398	\$ 23,334	\$ (100,083)	\$ (16,419)	\$ 2,096,230
	Balance June 30, 2021	Reclassification	Additions	Disposals	Balance June 30, 2022
Capital Assets, Not Being Depreciated:					
Construction in progress	\$ 10,925		\$ 62,622	\$ -	\$ 73,547
Capital Assets:					
Buildings	\$ 948,761	\$ -	\$ 58,563	\$ -	\$ 1,007,324
Leasehold improvements	4,023,861	-	240,611	(3,321)	4,261,151
Farm equipment	709,623	-	86,642	(14,911)	781,354
Donated equipment	146,637	-	-	-	146,637
Landscaping/ other equipment	543,008	-	99,169		642,177
Office equipment	110,132	-	63,271	(1,836)	171,567
Vehicles	96,373	-			96,373
Total capital assets	6,578,395	-	548,256	(20,068)	7,106,583
Less accumulated depreciation	(4,482,165)	-	(331,347)	19,158	(4,794,354)
Capital assets, net	\$ 2,096,230	\$ -	\$ 216,909	\$ (910)	\$ 2,312,229

NOTE 3 – LINE OF CREDIT

The Agricenter has \$250,000 available at June 30, 2022 under a revolving line of credit agreement with a financial institution. Interest is payable monthly at the Wall Street Journal's prime rate plus .50% (5.25% and 3.75% at June 30, 2022 and 2021, respectively). The credit line is secured by the inventory, accounts receivable, equipment, and fixtures of the Agricenter. There were no outstanding borrowings for the years ended June 30, 2022 and 2021. The revolving line of credit agreement terminates on October 31, 2022.

NOTE 4 – COMMITMENTS

The Agricenter leases approximately 1,000 acres, which includes the main building, farmers' markets, research farm, and recycling area located at Shelby Farms, from the Shelby County Agricenter Commission. The lease agreement provides that the Agricenter pay annual minimum rent of \$1. The lease expires January 31, 2045. This in-kind donation and related expense have not been reflected in the financial statements.

A contingency fund has been established at a maximum of \$200,000. During 2022, the maximum was met and no additional payments were made.

NOTE 5 – NOTES PAYABLE

Notes payable activity for the years ended June 30, 2022 and 2021 was as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Repayments/ Forgiveness</u>	<u>Balance June 30, 2022</u>
Notes payable	\$ 79,652	\$ -	\$ (79,652)	\$ -
PPP loan	409,200		(409,200)	-
	<u>\$ 488,852</u>	<u>\$ -</u>	<u>\$ (488,852)</u>	<u>\$ -</u>

	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance June 30, 2021</u>
Notes payable	\$ 139,460	\$ -	\$ (59,808)	\$ 79,652
PPP loan	409,200	409,200	(409,200)	409,200
	<u>\$ 548,660</u>	<u>\$ 409,200</u>	<u>\$ (469,008)</u>	<u>\$ 488,852</u>

Notes payable at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Note payable to bank. 4.75% interest, due in monthly installments of \$4,597 principal and interest, maturing on December 15, 2022 or on demand. Secured by event deck.	\$ -	\$ 79,652
SBA Paycheck Protection Program Loan. 1% interest, due in monthly installments of \$8,825. Eligible for loan forgiveness based on qualifying expenses being incurred.	<u>-</u>	<u>409,200</u>
Total notes payable	-	488,852
Less current maturities	<u>-</u>	<u>(98,035)</u>
Notes payable, net of current maturities	<u>\$ -</u>	<u>\$ 390,817</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The Agricenter conducts transactions with companies that are affiliated with members of the Board. For the year ended June 30, 2022, the Agricenter's financial statements include related party transactions of \$252 in legal fees, \$74,471 in rental revenue, \$10,500 in contribution revenue, and \$0 in research revenue. For the year ended June 30, 2021, related party transactions included \$2,411 in legal expenses and \$13,762 in rental revenue.

NOTE 7 – AGREEMENTS WITH SHELBY COUNTY

The Agricenter has a management agreement with Shelby County Government to manage the Showplace Arena. The term of this contract began on January 1, 2009 and continues through December 31, 2040. The contract is automatically extended for additional twenty years unless either party elects to terminate. This agreement, amended on April 26, 2018, includes the 3.0069 acres with approximately 21,000 square feet of improved space commonly known and numbered as 107 S. Germantown Parkway, Memphis, Tennessee.

NOTE 8 – RETIREMENT PLAN

The Agricenter sponsors and administers the Agricenter International 401(k) Plan (a defined contribution plan) to provide retirement benefits for employees who meet certain eligibility requirements. The Agricenter makes matching contributions to the Plan equal to 100% of each participant's salary deferral up to 4% of the participant's compensation. Participating employees may defer a portion of compensation in an amount not to exceed the annual statutory limits of the Internal Revenue Code and become vested in employer contributions immediately. The Agricenter may amend, modify, or terminate the Plan, upon approval of such amendment, provided that no amendment or modification shall reduce the account balances of any participant accrued to the date of the change.

The Agricenter's contributions to the Plan during the year ended June 30, 2022 and 2021 were \$40,487 and \$5,847, respectively. The contributions made by Plan members for the years ended June 30, 2022 and

2021 were \$54,120 and \$40,068, respectively. The Agricenter had no employer liability for Plan contributions at June 30, 2022 and 2021.

The Agricenter also sponsors (1) a Section 125 Flexible Benefit Plan under which the employees may choose among certain benefits that are made available and the expenses will be paid with a portion of pre-tax wages and (2) a Health Reimbursement Arrangement Plan under which the employees may receive reimbursement for the cost of eligible medical expenses without taxation to the individual.

NOTE 9 – RISK MANAGEMENT

The Agricenter purchases commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, revenue insurance, worker's compensation, employee short-term and long-term disability and life, 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 and Shelby County Government 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 10 – LEASE INCOME

The Agricenter leases land, buildings, and office space under noncancelable operating leases. The Agricenter recognized lease revenue for the year ended June 30, 2022, as follows:

	Year Ending 2022-06
Lease Revenue	
Office Space	\$ 382,200
Land	617,206
Total Lease Revenue	<u>999,406</u>
Interest Revenue	217,548
Variable & Other Revenue	65,823
Total	<u><u>\$ 1,282,777</u></u>

The Agricenter implemented GASB No. 87 for the year ended June 30, 2022 and evaluated tenant leases for capitalization using a 3% interest rate at July 1, 2021. As lessor, the Agricenter recognized a lease receivable and deferred inflow of resources for all noncancellable leases, including periods under reasonably certain to extend renewal options, in the amount of \$6,824,959 at June 30, 2022.

For the year ended June 30, 2022, the Agricenter received \$1,282,777 in lease revenue and \$217,548 in lease interest revenues under noncancellable long-term lease agreements. Future minimum lease payments expected to be received under noncancelable leases are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2023	\$ 876,450	\$ 192,689	\$ 1,069,139
2024	665,064	169,327	834,391
2025	400,472	153,260	553,732
2026	326,281	142,341	468,622
2027	286,424	133,062	419,486
2028 - 2032	837,072	571,841	1,408,913
2033 - 2037	589,984	472,777	1,062,761
2038 - 2042	584,310	384,841	969,151
2043 - 2047	711,648	288,099	999,747
2048 - 2052	735,134	174,685	909,819
2053 - 2057	480,397	87,020	567,417
2057 - 2062	331,723	15,993	347,716
Total Future Receipts	<u>\$ 6,824,959</u>	<u>\$ 2,785,935</u>	<u>\$ 9,610,894</u>

SUPPLEMENTAL INFORMATION

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

For the Year Ended June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Business-Type Activities									
NOTES PAYABLE									
Business Purpose Other (FB RV/CASE)	244,663	4.75%	12/15/2017	12/15/2022	\$ 79,652	\$ -	\$ 79,652	\$ -	\$ -
SBA Paycheck Protection Program Loan	409,200	1.00%	1/29/2021	12/29/2025	409,200	-	409,200	-	-
Total Notes Payable					<u>\$ 488,852</u>	<u>\$ -</u>	<u>\$ 488,852</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER LOANS PAYABLE									
Line of Credit - FirstBank	250,000	3.75%	10/25/2021	10/31/2022	\$ -	\$ 150,000	\$ 150,000	\$ -	\$ -
Total Other Loans Payable					<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to the schedule.

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program	Assistance Listing Number	Number	Expenditures
U.S. Department of Agriculture			
Enhancing Agricultural Opportunities for Military Veterans Competitive Grants Program	10.334	2019-77028-29967	\$ 110,867
Organic Agriculture Research and Extension Initiative	10.307	2021-51300-35727	15,000
Specialty Crop Block Grant Program	10.170	n/a	1,079
Specialty Crop Block Grant Program	10.170	21SCGPTN1025	14,674
Specialty Crop Block Grant Program	10.170	AM200100XXXXG062	4,809
Agricultural Worker Pandemic Relief and Protection Program	10.181	AMPRSTN0266-00	<u>5,689</u>
Total U.S. Department of Agriculture			152,118
U.S. Department of Labor / OSHA			
Occupational Safety and Health Susan Harwood Training Grants	17.502	SH-37170-21-60-F-47	102,819
Delta Regional Authority			
Delta Regional Development	90.200	n/a	27,800
Delta Health Care Services Grant Program	10.874	n/a	<u>66,775</u>
Total Delta Regional Authority			94,575
Total expenditures of federal awards			349,512
State Financial Assistance			
State of Tennessee			
Department of General Services	n/a	460/000-07-2016	3,701
Total expenditures of federal and state awards			<u><u>\$ 353,213</u></u>

See independent auditor's report and accompanying notes to the schedule.

**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**

The Board of Directors
Agricenter International, Inc.
Memphis, Tennessee

We have audited, in accordance with the 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, the basic financial statements of the Agricenter International, Inc. (the "Agricenter") which comprise the statement of net position as of and for the year ended June 30, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon December 9, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agricenter's internal control over financial reporting ("internal control") as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agricenter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agricenter's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agricenter's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agricenter's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agricenter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 9, 2022

AGRICENTER INTERNATIONAL, INC.
(A Component Unit of Shelby County, Tennessee)

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2022

There were no prior year findings reported.