

Junior Achievement USA

Auditors' Reports and Financial Statements

June 30, 2012

Junior Achievement USA

June 30, 2012

Contents

Independent Auditors' Report on Financial Statements and Supplementary Information	1
---	----------

Financial Statements

Statement of Financial Position.....	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

Supplementary Information

Statement of Functional Expenses.....	22
---------------------------------------	----

Independent Auditors' Report on Financial Statements and Supplementary Information

Board of Directors
Junior Achievement USA
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of Junior Achievement USA (the Organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement USA as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, including the statement of functional expenses, as listed in the table of contents is presented for purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

October 9, 2012

Junior Achievement USA
Statement of Financial Position
June 30, 2012

Assets

Current Assets

Cash and cash equivalents	\$ 1,486,372
Investments	7,768,293
Contributions receivable, net of allowance; \$15,000	2,434,829
Federal grants receivable	165,483
Affiliates accounts receivable, net of allowance; \$271,975	1,029,554
Inventory	2,482,219
Prepaid expenses	550,556
Accounts receivable – other	81,123

Total current assets 15,998,429

Affiliates Accounts Receivable, Net of Current Portion and Allowance; \$128,025

62,113

Fixed Assets, Net

2,600,983

Total assets \$ 18,661,525

Liabilities and Net Assets

Current Liabilities

Accounts payable – trade	\$ 3,304,153
Accrued liabilities	220,775
Deferred revenue	99,247
Current maturities of long-term debt	137,307
Due to related party	66,859
Funds held for affiliates	1,731,730

Total current liabilities 5,560,071

Long-term Debt, Net of Current Maturities

156,774

Total liabilities 5,716,845

Net Assets

Unrestricted, undesignated	6,751,389
Board-designated	1,195,048

Total unrestricted net assets 7,946,437

Temporarily restricted 4,998,243

Total net assets 12,944,680

Total liabilities and net assets \$ 18,661,525

Junior Achievement USA
Statement of Activities
Year Ended June 30, 2012

	Unrestricted - Undesignated	Board- Designated	Total Unrestricted	Temporarily Restricted	Total
Support and Revenue					
Federal grants	\$ 567,973	\$ -	\$ 567,973	\$ -	\$ 567,973
Contributions	1,144,259	9,000	1,153,259	3,723,998	4,877,257
In-kind contributions	70,550	-	70,550	2,640	73,190
Materials sales	13,547,065	-	13,547,065	-	13,547,065
Area license fees	4,314,280	-	4,314,280	-	4,314,280
Investment return	32,988	38,430	71,418	9,873	81,291
Other income	844,797	-	844,797	-	844,797
Transfer	931,486	(931,486)	-	-	-
Net assets released from restrictions	4,192,461	-	4,192,461	(4,192,461)	-
	<u>25,645,859</u>	<u>(884,056)</u>	<u>24,761,803</u>	<u>(455,950)</u>	<u>24,305,853</u>
Expenses					
Program services					
Field services	7,992,851	2,263	7,995,114	-	7,995,114
Communications and marketing	951,989	-	951,989	-	951,989
Research and development	8,388,357	-	8,388,357	-	8,388,357
Human resources	856,138	-	856,138	-	856,138
	<u>18,189,335</u>	<u>2,263</u>	<u>18,191,598</u>	<u>-</u>	<u>18,191,598</u>
Support services					
Management and general	5,314,344	1,858	5,316,202	-	5,316,202
Fundraising	1,019,474	-	1,019,474	-	1,019,474
	<u>6,333,818</u>	<u>1,858</u>	<u>6,335,676</u>	<u>-</u>	<u>6,335,676</u>
	<u>24,523,153</u>	<u>4,121</u>	<u>24,527,274</u>	<u>-</u>	<u>24,527,274</u>
Change in Net Assets Before Net Asset Transfer to Related Party	1,122,706	(888,177)	234,529	(455,950)	(221,421)
Net Asset Transfer to Related Party	-	-	-	(2,660,241)	(2,660,241)
Change in Net Assets	1,122,706	(888,177)	234,529	(3,116,191)	(2,881,662)
Net Assets, Beginning of Year	5,628,683	2,083,225	7,711,908	8,114,434	15,826,342
Net Assets, End of Year	<u>\$ 6,751,389</u>	<u>\$ 1,195,048</u>	<u>\$ 7,946,437</u>	<u>\$ 4,998,243</u>	<u>\$ 12,944,680</u>

Junior Achievement USA
Statement of Cash Flows
Year Ended June 30, 2012

Operating Activities	
Change in net assets	\$ (2,881,662)
Items not requiring (providing) operating activities cash flows	
Depreciation and amortization	925,800
Bad debt expense	88,353
Net realized and unrealized loss on investments	175,318
Net asset transfer to related party	2,660,241
Changes in assets and liabilities	
Increase in contributions receivable	(1,238,587)
Decrease in grants receivable	193,940
Increase in accounts receivable	(90,150)
Increase in inventory	(56,098)
Increase in prepaid expenses	(387,493)
Decrease in accounts payable and accrued liabilities	(714,071)
Decrease in deferred revenue	(13,878)
Decrease in funds held for affiliates	(968,265)
Increase in due to related party	<u>66,859</u>
Net cash used in operating activities	<u>(2,239,693)</u>
Investing Activities	
Purchase of investments	(1,243,695)
Purchase of fixed assets	(233,468)
Proceeds from sale of investments	<u>1,651,186</u>
Net cash provided by investing activities	<u>174,023</u>
Financing Activities	
Repayments of capital lease obligations	(130,807)
Transfer of cash to related party	<u>(3,986,532)</u>
Net cash used in financing activities	<u>(4,117,339)</u>
Decrease in Cash	(6,183,009)
Cash and Cash Equivalents, Beginning of Year	<u>7,669,381</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,486,372</u></u>
Supplemental Cash Flows Information	
Noncash transfer to related party	<u><u>\$ 1,326,291</u></u>

Junior Achievement USA

Notes to Financial Statements

June 30, 2012

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

Nature of Operations

Prior to July 1, 2011, Junior Achievement USA® (the Organization) formally known as JA Worldwide contained activities of both domestic and international operations. However, effective July 1, 2011, JA Worldwide was restructured to bifurcate domestic activities from international activities. The international activities were transferred to JA Worldwide, Inc., a newly formed organization which is a separate legal/fiduciary Regional Operating Center. The amount transferred includes assets of \$5,090,461, liabilities of \$2,430,220 and net assets of \$2,660,241. Junior Achievement USA® was established as the Regional Operating Center for the United States and the Middle East. Future grants, gifts and contributions that will be focused either entirely or mostly in the United States will be processed and executed by the Organization. However, through a contractual agreement between JA Worldwide, Inc. and Junior Achievement USA®, Junior Achievement USA® provides fund raising, accounting and administrative support to JA Worldwide, Inc.

The Organization reaches out to the local community through a network of area offices who educate and inspire young people to value free enterprise, business and economics to improve the quality of their lives. The Organization teaches students in kindergarten through 12th grade about business and economics and accomplishes its mission by placing a volunteer in the classroom to present the Organization's educational curricula and materials. An area office is a community-based organization that serves a specific geographic area. Each area office is incorporated under the guidelines of its respective state and by-laws, which govern the actions and responsibilities of the area office's Board of Directors. The headquarters office and the area offices join together under the terms of a signed agreement whose guiding principle is mutual support. As of June 30, 2012, 122 U.S. area offices provided programs in 50 states. The area offices' financial statements are not included in the financial statements of the Organization, since it does not have a controlling interest in the area offices' Board of Directors or a financial interest in the area offices' operations. The by-laws of each area office designate a similar purpose not-for-profit organization to receive the residual interest of an area office in the event of dissolution.

The Organization's primary revenues come from corporate and individual contributions, federal and private grants, material sales and license fees charged to area offices.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Junior Achievement USA

Notes to Financial Statements

June 30, 2012

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012, cash equivalents consisted primarily of money market funds with brokers.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2012, the Organization's interest-bearing cash accounts did not exceed federally insured limits.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Some of the Organization's accounts (classified as money market accounts) are not eligible for FDIC coverage because they are held with a brokerage firm. These accounts total approximately \$45,000 at June 30, 2012.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments in certificates of deposit are valued at cost, which approximates market. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return is reflected in the statement of activities as unrestricted in the absence of any donor or legally imposed restrictions.

Affiliates Accounts Receivable

The Organization's affiliates accounts receivable are comprised principally of sales of materials to area offices as well as area office license fees.

All area offices pay license fees in ten equal payments using audit verified revenue from the area office's most recent audited financial statements.

Area offices having a balance outstanding of more than 60 days after the end of the month in which the receivable is recognized are considered past due.

Management has established an allowance for doubtful accounts in the amounts of \$400,000 at June 30, 2012. The allowance is determined by taking into consideration the unique relationship of dependence between area offices and the Organization to deliver the Junior Achievement programs. Area offices having balances over 90 days past due are reviewed by management to determine the appropriate allowance based on past payment history and adherence to their payback plan. An additional 14% of the remaining balance of accounts receivable from affiliates was added to these estimates to arrive at the allowance for doubtful accounts for 2012.

Junior Achievement USA

Notes to Financial Statements

June 30, 2012

Management will charge-off receivables as uncollectible from area offices based on predetermined payback plan agreements that result in less than 100% collection of receivables.

Inventory

Inventory is recorded at the lower of cost or market (cost determined on a first-in, first-out basis). Inventory consists solely of educational textbooks and products.

Fixed Assets

Fixed assets are recorded at cost. Donated fixed assets are recorded at fair market value on the date of the gift. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Estimated useful lives of three years and five years are used to depreciate furniture and equipment and the worldwide web platform, including amortization of assets purchased under capital lease obligations. Buildings are depreciated using an estimated life of 31.5 years.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Federal Grants

Federal funds are received on a cost reimbursement basis. Revenue and federal grants receivable with respect to the federal awards are recognized to the extent of allowable expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Organization. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor, and for which the restriction is met in the same time period, are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Junior Achievement USA

Notes to Financial Statements

June 30, 2012

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on relative efforts expended on each activity. Program expenses include the following:

Field services: Encompasses a range of direct support to 122 area offices of the Organization in their mission to provide high-quality economic education to students in the schools, cities and communities served.

Communications and marketing: Heightens awareness and understanding of the Organization's purpose and mission to corporations, volunteers, educators and the general public at local and national levels.

Research and development: Encompasses the development and updates of sequential economic education curriculum for every grade from kindergarten through 12th.

Human resources: Encompasses the training and development of competent professionals necessary to deliver high-quality economic education programs through the use of business volunteers in the classrooms.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

Note 2: Contributions Receivable

Contributions receivable consist of the following:

Pledges were discounted using rates from .5% to 3.04% for 2012.

	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 304,267	\$ 2,145,744	\$ 2,450,011
Allowance for uncollectible contributions	-	(15,000)	(15,000)
Unamortized discount	-	(182)	(182)
	<u>\$ 304,267</u>	<u>\$ 2,130,562</u>	<u>\$ 2,434,829</u>

Note 3: Investments and Investment Return

Investments at June 30 consisted of the following:

Money market mutual funds	\$ 109,053
Equity securities	
Domestic mutual funds	
Small-cap funds	408,615
Mid-cap funds	422,215
Large-cap funds	771,465
International mutual funds	
Emerging Markets	158,130
Large-cap funds	591,293
Real asset mutual funds	251,790
Alternative strategy mutual funds	319,700
Fixed income securities	
Corporate bonds	1,586,539
International bond funds	1,132,381
Domestic bond funds	<u>2,017,112</u>
Total	<u>\$ 7,768,293</u>

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

Total investment return is comprised of the following:

Interest and dividend income	\$ 256,609
Net realized and unrealized gains (losses) on investments reported at fair value	(175,318)
	\$ 81,291

Note 4: Disclosures About Fair Value of Assets and Liabilities

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

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

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

Money Market Mutual Funds and Equity Securities

The Organization is invested in money market mutual funds, domestic and international equity mutual funds, real asset mutual funds and alternative strategy mutual funds where quoted market prices for identical securities are available in an active market. As such, these investments are all classified within Level 1 of the valuation hierarchy.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

Fixed Income Securities

The Organization's fixed income securities include domestic and international fixed income bond funds, where quoted market prices for identical securities are available in an active market. These investments are classified within Level 1 of the valuation hierarchy.

The Organization is also invested in corporate bonds where quoted market prices are not available in an active market. Fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. These investments are classified within Level 2 of the valuation hierarchy. The Organization does not carry any securities classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the hierarchy in which the fair value measurements fall at June 30, 2012:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	\$ 109,053	\$ 109,053	\$ -	\$ -
Equity securities				
Domestic mutual funds				
Small-cap funds	408,615	408,615	-	-
Mid-cap funds	422,215	422,215	-	-
Large-cap funds	771,465	771,465	-	-
International mutual funds				
Emerging Markets	158,130	158,130	-	-
Large-cap funds	591,293	591,293	-	-
Real asset mutual funds	251,790	251,790	-	-
Alternative strategy mutual funds	319,700	319,700	-	-
Fixed income securities				
Corporate bonds	1,586,539	-	1,586,539	-
International bond funds	1,132,381	1,132,381	-	-
Domestic bond funds	2,017,112	2,017,112	-	-
Total	\$ 7,768,293	\$ 6,181,754	\$ 1,586,539	\$ -

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

Note 5: Fixed Assets, Net

Property and equipment at June 30 consists of:

Land	\$ 1,260,730
Buildings	4,120,471
Software	2,061,980
Furniture and equipment	1,349,581
Enterprise platform	4,865,070
Artwork	<u>30,000</u>
	13,687,832
Less accumulated depreciation and amortization	<u>11,086,849</u>
	<u><u>\$ 2,600,983</u></u>

Note 6: Long-term Debt

Long-term debt at June 30 consisted of the following:

Capital lease obligations (A)	\$ 294,081
Less current maturities	<u>(137,307)</u>
	<u><u>\$ 156,774</u></u>

(A) Capital leases include copiers with lease terms over four years, expiring 2015 with interest rates ranging from 1.9% - 27%.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

Aggregate annual maturities on capital lease obligations at June 30, 2012 are:

	Capital Lease Obligations
2013	\$ 137,306
2014	134,425
2015	<u>31,445</u>
	303,176
Less amount representing interest	<u>9,095</u>
Present value of future minimum lease payments	<u><u>\$ 294,081</u></u>

Property and equipment includes the following under capital leases at June 30:

Equipment	\$ 669,420
Less accumulated depreciation	<u>(408,791)</u>
	<u><u>\$ 260,629</u></u>

Note 7: Related Parties

The Organization and JA Worldwide, Inc. are related parties that are not financially interrelated organizations. Through a contractual agreement, JA Worldwide, Inc. purchased fund raising, accounting and administrative support services from Junior Achievement USA® totaling \$745,000 during 2012. JA Worldwide, Inc. assessed a license fee of \$1,091,000 to Junior Achievement USA® for their use of logos and trademarks owned by JA Worldwide, Inc. The revenue and expense generated from these transactions are recorded in other income and management and general support service expense on the statement of activities. Any unpaid and uncollected balances are shown net in the due to related party line item on the statement of financial position and consist of payables of approximately \$164,000 and receivables of approximately \$97,000, as of June 30, 2012.

Contributions of cash, in-kind gifts and pledges from related parties including Board members and corporations controlled by Board members was \$2,946,439 for the year ended June 30, 2012. Contributions receivable from related parties including Board members and corporations controlled by Board members was \$2,211,150 as of June 30, 2012.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

The Organization assists its area offices around the U.S. in setting up their own organizations to administer Junior Achievement programs. The Organization holds funds on behalf of certain of these members for their U.S. expenses. These are included in cash and investments on the statements of financial position and total \$1,062,230 as of June 30, 2012. During the year ended June 30, 2012, the Organization passed through to the area offices \$5,402,398, of funds resource providers directed to be transferred to them. Because the Organization functions as a conduit, these amounts have not been reflected on the statements of activities.

Funds held for others include cash and investments, as described in the preceding paragraph, as well as contributions receivable of \$669,500 as of June 30, 2012.

Substantially all of the Organization's accounts receivable as of June 30, 2012, relate to sales of materials to international members and area offices. These related party sales and cost of sales amounted to \$13,547,065 and \$5,333,273, respectively, for the year ended June 30, 2012.

Note 8: Board-Designated and Temporarily Restricted Net Assets

Board-designated net assets established by the Board of Directors consist of the following at June 30:

Headquarters Development	\$ 1,018,544
Colgate-Hook Memorial	168,550
Leadership Conference Scholarship Fund	<u>7,954</u>
Total Board-designated net assets	<u><u>\$ 1,195,048</u></u>

Temporarily restricted funding and grants have been donor restricted for specific purposes or specified time frames. Restrictions are for the development of various types of curriculum: after school, online programs, ethics curriculum and personal financial literacy programs. Grants provide leadership, marketing and awareness and scholarship awards.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

Temporarily restricted net assets consist of the following at June 30:

Allstate Foundation - Economics for Success	\$ 157,182
AT&T - Social Innovation	197,034
AT&T - Job Mentoring	77,297
AT&T - Job Shadow	16,000
Bechtel - Building Future Leaders	85,551
Capital One - Mobile FP	10,024
Capital One - Virtual FP	1,042,000
Citi - Virtual Volunteer	360,740
Citi - BIA Virtual	7,383
Citi - BIA No American Competition	25,966
Coca Cola - MENA	301,173
Deloitte - MENA	98,112
El Pomar - Project Leap	45,905
Emerson - Company Program	32,945
Flemke Memorial Fund	94,653
Goizueta-Hispanic Initiative	277,980
Hall Of Fame	612,751
Heritage Campaign	62,622
HP - Responsible Business Competition	25,011
HSBC - Volunteer Alliance	21,150
ING - Job Shadow	16,041
Jim Hayes Endowment	18,796
Manpower - JA Success Skills	180,000
MasterCard - MENA	73,829
Microsoft - Job Shadow	87,000
Mobil Land	5,000
NYL - Skills For Success	19,250
S B Colgate	306,423
Sam's Club - Giving Program	25,724
Skoll Foundation - MENA	121,818
Destination Travel	11,395
United Technologies	120,752
University of Phoenix Curriculum Supplements	36,260
USA COY	74,658
For periods after June 30	
American Express	20,000
AT&T	300,000
El Pomar	29,818
	<hr/>
Total temporarily restricted	<u>\$ 4,998,243</u>

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

Note 9: Net Assets Released from Restrictions

Net assets were released from temporary restrictions by incurring expenses satisfying restricted purposes for the years ended June 30 as follows:

AARP - Finance Education Pilot Program	\$ 12,000
Allstate Foundation - Economics for Success	89,929
America's Promise	5,000
Amex - Student Center	43,400
Amex - Emerging Leaders	89,344
AT&T - Social Innovation	2,966
AT&T - Job Mentoring	703
AT&T -Job Shadow	34,271
AT&T - Job Shadow	270,198
Bechtel - Building Future Leaders	49,449
Capital One - Mobile FP	1,077,260
Citi - Virtual Volunteer	126,760
Citi - BIA Virtual	12,472
Coca Cola - MENA	198,827
Deloitte - MENA	151,888
Donaldson Graduate & Succeed	13,500
El Pomar - Project Leap	44,095
Emerson - Company Program	167,055
FedEx - APAC ITC	64,843
FedEx - Company of the Year	62,568
FedEx- NFL	12,000
Flemke Memorial Fund	8,067
Goizueta-Hispanic Initiative	206,339
Hall Of Fame	3,884
Heritage Campaign	9,954
HP-R&D New Program Delivery	23,223
HSBC - Volunteer Initiative	41,109
ING - Job Shadow	33,959
Jim Hayes Endowment	119

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

(continued)

Manpower - JA Success Skills	180,000
MasterCard - MENA	111,171
MENA ROC	155,000
Met Life - JA Economics	27,750
NYL-Skills For Success	29,500
Prudential - Evaluation	3,000
S B Colgate	74,403
Sam's Club - Giving Program	33,867
Club - Giving Made Simple	44,276
Skoll Foundation - MENA	153,928
Travel Industry Association - Destination Travel	14,038
United Technologies	24,027
University of Phoenix - Curriculum Supplements	62,326
UPS - Be Entrepreneurial	48,000
US Chamber - Student Survey	8,348
USA COY	25,345
Sam's Club - Giving Program	12,300
Time restriction release El P	
AT&T	300,000
El Pomar	30,000
	<hr/>
Total restrictions released	<u><u>\$ 4,192,461</u></u>

Note 10: Pension Plan

The Organization offers a defined benefit pension plan (the Plan) to its employees. The Plan is administered by the Organization and covers all full-time employees and employees of participating members of the Organization. The Plan is accounted for like a multi-employer plan. Benefits are determined based on years of service and salary history. The Plan's assets are invested in various investment funds. The respective participants' employers are required to fund the Plan, as determined necessary by the Organization's Board of Directors, based on an annual actuarial valuation. Effective July 1, 2003, the Organization makes contributions equal to 11.5% of participants' eligible compensation. Subsequent to year-end, the Organization has increased the contributions equal to 16.75% of eligible compensation. Additionally, the Plan requires that participating members who withdraw from the Plan, remain liable for any previous funding obligations under the Plan. Accordingly, the Organization recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization. As of December 31, 2011, the most recent plan audit report, the Plan is underfunded and "at-risk" as defined under the Pension Protection Act of 2006. The Organization's pension expense for the year ended June 30, 2012 was \$569,953.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

The Organization uses a June 30 measurement date for the Plan. Significant balances, costs and assumptions are:

Benefit obligation	\$ 69,032,732
Fair value of Plan assets	<u>38,386,232</u>
Underfunded status	<u><u>\$(30,646,500)</u></u>
Accumulated benefit obligation	<u><u>\$ 62,266,153</u></u>

Weighted-average assumptions used to determine benefit obligations at June 30:

Discount rate	3.75%
Rate of compensation increase	4.00%

Weighted-average assumptions used to determine benefit costs at June 30:

Discount rate	3.75%
Expected return on Plan assets	6.50%
Rate of compensation increase	4.00%

The estimated long-term rate of return on Plan assets is based primarily on historical returns on Plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2012:

2013	\$ 6,286,621
2014	5,732,117
2015	6,442,246
2016	5,705,257
2017	4,767,069
2018 to 2022	26,728,036

Plan assets are held by Fidelity Investments and investment decisions are made in accordance with the provisions of the Plan's investment agreement by the Plan's investment advisor. The investment agreement permits investment in common stocks, corporate bonds, real estate and cash based on certain target allocation percentages.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

The investment objective of the Plan is to construct an investment strategy that:

- Provides a high probability of attaining fully funded status;
- Retains the ability to pay benefits and expense obligations when due;
- Retains a funding cushion for unexpected developments;
- Maximizes the long-term returns that can be achieved within the level of risk that is reasonable and prudent; and
- Provides the Plan Sponsor with the flexibility to reduce future contributions, or increase future benefits, in a way that enables the Plan Sponsor to continue to provide competitive retirement benefits to its employees.

The target asset allocation percentages for 2012 are:

Equity mutual funds	Not to exceed 58.00%
Corporate debt securities	Not to exceed 45.00%
Real estate	Not to exceed 7.00%
Cash and cash equivalents	Not to exceed 5.00%

Plan assets are rebalanced quarterly. At June 30, 2012, Plan assets by category are as follows:

Equity mutual funds	55.00%
Fixed income mutual funds	39.00%
Real estate mutual funds	6.00%
	<hr style="width: 100%;"/>
	<u>100.00%</u>

Note 11: Health and Welfare Benefits Trust and Postretirement Benefits Plan

Health and Welfare Benefits Trust

The Organization has a self-funded medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the plan for each participant by the Organization. All the assets and liabilities of the plan are held in the Junior Achievement USA Health and Welfare Benefits Trust (Benefits Trust). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization.

Junior Achievement USA
Notes to Financial Statements
June 30, 2012

The following represents summarized financial information pertaining to the Benefits Trust for the years ended June 30, 2012:

Assets	\$ 4,774,921
Liabilities	<u>91,198</u>
Net assets	<u>\$ 4,683,723</u>
Additions to net assets	\$ 5,561,405
Deductions from net assets	<u>5,325,881</u>
Change in net assets	235,524
Net assets, beginning of year	<u>4,448,199</u>
Net assets, end of year	<u>\$ 4,683,723</u>

In addition to the summarized financial information presented above, the Benefits Trust also reports in the notes to the financial statements, claims payable and claims incurred but not reported. This balance as of June 30, 2012 is \$574,033. This liability is not recorded in the Benefits Trust's statements of net assets available for benefits.

Postretirement Benefits Plan

The Organization also offers health care benefits to retired personnel of the Organization. The plan is administered by the Organization and accounted for like a multi-employer plan. This creates an implicit rate subsidy, which is considered to be a postretirement benefit. Management of the Organization does not believe the implicit rate subsidy amount to be material to the Organization, especially since the plan is a multi-employer plan. Accordingly, no balances or transactions of the Postretirement Benefits Plan are recorded in the financial statements of the Organization.

The Organization uses a June 30, 2012 measurement date for the Plan. Significant balances, costs and assumptions are:

Benefit obligation	\$ 6,240,416
Fair value of Plan assets	<u>-</u>
Underfunded status	<u>\$ (6,240,416)</u>
Accumulated benefit obligation	<u>\$ (6,240,416)</u>

Weighted-average assumptions used to determine benefit obligations at June 30, 2012:

Discount rate	3.75%
Rate of compensation increase	4.00%

Junior Achievement USA

Notes to Financial Statements

June 30, 2012

Weighted-average assumptions used to determine benefit costs at June 30, 2012:

Discount rate	5.00%
Rate of compensation increase	4.00%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2012:

2013	\$ 238,262
2014	275,377
2015	303,557
2016	311,891
2017	315,673
2018 to 2022	1,758,523

The Organization's premium expense for both the Health and Welfare Benefits Trust and the Postretirement Benefits Plan for the year ended June 30, 2012 was \$878,448.

Note 12: Significant Estimates and Concentrations

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contribution Concentration

Contribution revenue (including in-kind contributions) of \$4,947,807 in 2012, comprised approximately 20% of the Organization's total support and revenue. Approximately 27% of the contribution revenue was received from one donor in 2012.

Inventory Obsolescence

The Organization maintains educational textbooks and products which are held for resale. Each year the Organization estimates an allowance for obsolete inventory, which was \$120,000 at June 30, 2012. Actual inventory obsolescence may vary from the allowance accrued.

Current Economic Conditions

The current protracted economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, governmental support and grant revenue and constraints on liquidity. The financial statements have been prepared using values and information currently available to the Organization.

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

Supplementary Information

Junior Achievement USA
Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services					Support Services			Total Expenses
	Field Services	Communications & Marketing	Research & Development	Human Resources	Total Program Services	Management and General	Fundraising	Total Support Services	
Compensation	\$ 3,835,391	\$ 574,685	\$ 1,389,703	\$ 527,864	\$ 6,327,643	\$ 2,060,742	\$ 771,424	\$ 2,832,166	\$ 9,159,809
Occupancy	130,145	-	4,254	6,216	140,615	209,897	-	209,897	350,512
Product development	259,680	2,068	1,080,551	-	1,342,299	39,363	-	39,363	1,381,662
Program support	2,163,096	317,182	5,582,415	165,246	8,227,939	375,000	122,497	497,497	8,725,436
Office services	1,337,277	22,724	17,612	122,522	1,500,135	2,403,032	80,888	2,483,920	3,984,055
Depreciation and amortization	269,525	35,330	313,822	34,290	652,967	228,168	44,665	272,833	925,800
Total expenses	\$ 7,995,114	\$ 951,989	\$ 8,388,357	\$ 856,138	\$ 18,191,598	\$ 5,316,202	\$ 1,019,474	\$ 6,335,676	\$ 24,527,274