

Junior Achievement USA

Independent Auditor's Reports and Financial Statements

June 30, 2013 and 2012

Junior Achievement USA

June 30, 2013 and 2012

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Directors
Junior Achievement USA
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Achievement USA (the Organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
Junior Achievement USA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information including the statements of functional expenses and the schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BKD, LLP

Colorado Springs, Colorado
November 26, 2013

Junior Achievement USA
Statements of Financial Position
June 30, 2013 and 2012

Assets

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 3,150,343	\$ 1,486,372
Investments	9,617,996	7,768,293
Contributions receivable, net of allowance; 2013 - \$0 and 2012 - \$15,000	749,796	2,434,829
Federal grants receivable	-	165,483
Affiliates accounts receivable, net of allowance; 2013 - \$259,239 and 2012 - \$271,975	1,449,624	1,029,554
Inventory	3,326,072	2,482,219
Prepaid expenses	337,954	550,556
Accounts receivable – other	<u>168,202</u>	<u>81,123</u>
 Total current assets	 18,799,987	 15,998,429
 Contributions Receivable, Net of Current Portion and Allowance; 2013 - \$0 and 2012 - \$0	 1,095,731	 -
 Affiliates Accounts Receivable, Net of Current Portion and Allowance; 2013 - \$70,761 and 2012 - \$128,025	 81,000	 62,113
 Fixed Assets, Net	 <u>5,697,739</u>	 <u>2,600,983</u>
 Total assets	 <u><u>\$ 25,674,457</u></u>	 <u><u>\$ 18,661,525</u></u>

Liabilities and Net Assets

	2013	2012
Current Liabilities		
Accounts payable – trade	\$ 4,194,287	\$ 3,304,153
Accrued liabilities	206,719	220,775
Deferred revenue	139,720	99,247
Current maturities of long-term debt	134,425	137,307
Due to related party	8,755	66,859
Funds held for affiliates	1,166,826	1,731,730
	<hr/>	<hr/>
Total current liabilities	5,850,732	5,560,071
Long-term Debt, Net of Current Maturities	<hr/>	<hr/>
	28,574	156,774
	<hr/>	<hr/>
Total liabilities	5,879,306	5,716,845
	<hr/>	<hr/>
Net Assets		
Unrestricted, undesignated	8,797,753	6,751,389
Board-designated	1,260,336	1,195,048
	<hr/>	<hr/>
Total unrestricted net assets	10,058,089	7,946,437
Temporarily restricted	9,737,062	4,998,243
	<hr/>	<hr/>
Total net assets	19,795,151	12,944,680
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 25,674,457</u>	<u>\$ 18,661,525</u>

Junior Achievement USA
Statement of Activities
Year Ended June 30, 2013

	Unrestricted - Undesignated	Board- Designated	Total Unrestricted	Temporarily Restricted	Total
Support and Revenue					
Federal grants	\$ 724,901	\$ -	\$ 724,901	\$ -	\$ 724,901
Contributions	1,378,176	9,000	1,387,176	6,350,019	7,737,195
In-kind contributions	23,630	-	23,630	6,680,591	6,704,221
Materials sales	13,527,108	-	13,527,108	-	13,527,108
Area license fees	4,405,109	-	4,405,109	-	4,405,109
Investment return	406,419	64,618	471,037	49,557	520,594
Other income	2,079,563	-	2,079,563	-	2,079,563
Net assets released from restrictions	8,341,348	-	8,341,348	(8,341,348)	-
Total support and revenue	30,886,254	73,618	30,959,872	4,738,819	35,698,691
Expenses					
Program services					
Field services	11,853,131	1,317	11,854,448	-	11,854,448
Communications and marketing	1,050,663	-	1,050,663	-	1,050,663
Research and development	9,039,012	-	9,039,012	-	9,039,012
Human resources	441,154	-	441,154	-	441,154
Total program services	22,383,960	1,317	22,385,277	-	22,385,277
Support services					
Management and general	5,156,634	7,013	5,163,647	-	5,163,647
Fundraising	1,299,296	-	1,299,296	-	1,299,296
Total support services	6,455,930	7,013	6,462,943	-	6,462,943
Total expenses	28,839,890	8,330	28,848,220	-	28,848,220
Change in Net Assets	2,046,364	65,288	2,111,652	4,738,819	6,850,471
Net Assets, Beginning of Year	6,751,389	1,195,048	7,946,437	4,998,243	12,944,680
Net Assets, End of Year	\$ 8,797,753	\$ 1,260,336	\$ 10,058,089	\$ 9,737,062	\$ 19,795,151

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	\$ 477,682	\$ -	\$ 477,682	\$ -	\$ 477,682
Contributions	1,234,550	9,000	1,243,550	3,723,998	4,967,548
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
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 6,850,471	\$ (2,881,662)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	1,003,044	925,800
Bad debt expense	20,000	88,353
Net realized and unrealized losses (gains) on investments	(318,907)	175,318
Net asset transfer to related party	-	2,660,241
Noncash contributions of fixed assets	(4,089,740)	-
Changes in assets and liabilities		
Contributions receivable	569,302	(1,238,587)
Federal grants receivable	165,483	193,940
Affiliate accounts receivable	(526,036)	(90,150)
Inventory	(843,853)	(56,098)
Prepaid expenses	212,602	(387,493)
Accounts payable and accrued liabilities	876,078	(714,071)
Deferred revenue	40,473	(13,878)
Funds held for affiliates	(564,904)	(968,265)
Due from/to related party	(58,104)	66,859
	<u>3,335,909</u>	<u>(2,239,693)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of investments	(3,756,958)	(1,243,695)
Purchase of fixed assets	(10,060)	(233,468)
Proceeds from sale of investments	2,226,162	1,651,186
	<u>(1,540,856)</u>	<u>174,023</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Repayments of capital lease obligations	(131,082)	(130,807)
Transfer of cash to related party	-	(3,986,532)
	<u>(131,082)</u>	<u>(4,117,339)</u>
Net cash used in financing activities		
Increase (Decrease) in Cash and Cash Equivalents	1,663,971	(6,183,009)
Cash and Cash Equivalents, Beginning of Year	<u>1,486,372</u>	<u>7,669,381</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,150,343</u>	<u>\$ 1,486,372</u>
Supplemental Cash Flows Information		
Noncash transfer to related party	<u>\$ -</u>	<u>\$ 1,326,291</u>

Junior Achievement USA

Notes to Financial Statements

June 30, 2013 and 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 organization. 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, 2013, 119 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, 2013 and 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, 2013 and 2012, cash equivalents consisted primarily of money market funds with brokers.

At June 30, 2013, the Organization's cash accounts exceeded federally insured limits by approximately \$3,510,000.

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 \$185,000 at June 30, 2013.

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 prior year 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 \$330,000 and \$400,000 at June 30, 2013 and 2012, respectively. 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 6% and 14% of the remaining balance of accounts receivable from affiliates was added to these estimates to arrive at the allowance for doubtful accounts for 2013 and 2012, respectively.

Junior Achievement USA

Notes to Financial Statements

June 30, 2013 and 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. Buildings are depreciated using an estimated life of 31.5 years. Estimated useful lives of three to five years are used to depreciate furniture and equipment including assets purchased under capital lease obligations, software and hardware.

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.

Junior Achievement USA

Notes to Financial Statements

June 30, 2013 and 2012

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.

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.

In-kind Contributions

In addition to receiving cash contributions, the Organization received in-kind contributions of software, services and other gifts from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense or as a fixed asset in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2013 and 2012, \$6,704,221 and \$73,190, respectively, was received in in-kind contributions.

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 2010.

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 119 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.

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments and Investment Return

Investments at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Money market mutual funds	\$ 108,968	\$ 109,053
Equity securities		
Domestic mutual funds		
Small-cap funds	416,810	408,615
Mid-cap funds	496,740	422,215
Large-cap funds	991,960	771,465
International mutual funds		
Emerging Markets	278,970	158,130
Large-cap funds	551,910	591,293
Real asset mutual funds	273,880	251,790
Alternative strategy mutual funds	642,540	319,700
Fixed income securities		
Mortgage backed securities	53,134	-
Corporate bonds	1,310,573	1,586,539
International bond funds	1,119,782	1,132,381
Domestic bond funds	3,372,729	2,017,112
	<u> </u>	<u> </u>
Total	<u>\$ 9,617,996</u>	<u>\$ 7,768,293</u>

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

Total investment return is comprised of the following:

	2013	2012
Interest and dividend income	\$ 201,687	\$ 256,609
Net realized and unrealized gains (losses) on investments reported at fair value	318,907	(175,318)
	\$ 520,594	\$ 81,291

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There is a hierarchy of 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

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

Recurring Measurements

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, 2013 and 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)
June 30, 2013				
Money market mutual funds	\$ 108,968	\$ 108,968	\$ -	\$ -
Equity securities				
Domestic mutual funds				
Small-cap funds	416,810	416,810	-	-
Mid-cap funds	496,740	496,740	-	-
Large-cap funds	991,960	991,960	-	-
International mutual funds				
Emerging markets	278,970	278,970	-	-
Large-cap funds	551,910	551,910	-	-
Real asset mutual funds	273,880	273,880	-	-
Alternative strategy mutual funds	642,540	642,540	-	-
Fixed income securities				
Mortgage backed securities	53,134	-	53,134	-
Corporate bonds	1,310,573	-	1,310,573	-
International bond funds	1,119,782	1,119,782	-	-
Domestic bond funds	3,372,729	3,372,729	-	-
Total	\$ 9,617,996	\$ 8,254,289	\$ 1,363,707	\$ -

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 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)
June 30, 2012				
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	\$ -

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. There have been no significant changes in the valuation technique during the year ended June 30, 2013. The Organization does not carry any securities classified within Level 3 of the 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, 2013 and 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 and mortgage backed securities 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.

Note 4: Contributions Receivable

Contributions receivable consist of the following at June 30:

	2013		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 46,811	\$ 702,985	\$ 749,796
Due in one to five years	-	1,100,000	1,100,000
	46,811	1,802,985	1,849,796
Allowance for uncollectible contributions	-	-	-
Unamortized discount	-	(4,269)	(4,269)
	\$ 46,811	\$ 1,798,716	\$ 1,845,527

Junior Achievement USA
Notes to Financial Statements
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	2012		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 304,267	\$ 2,145,744	\$ 2,450,011
Due in one to five years	-	-	-
	304,267	2,145,744	2,450,011
Allowance for uncollectible contributions	-	(15,000)	(15,000)
Unamortized discount	-	(182)	(182)
	\$ 304,267	\$ 2,130,562	\$ 2,434,829

Discount rates ranged from 0.5% to 3.04% for 2013 and 2012.

Note 5: Conditional Gifts

The Organization has received the following conditional promises to give at June 30 that are not recognized in the financial statements:

	2013	2012
Conditional promise to give upon approval of satisfactory progress	\$ 448,000	\$ -

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

Note 6: Fixed Assets, Net

Property and equipment at June 30, 2013 and 2012 consists of:

	2013	2012
Land	\$ 1,260,730	\$ 1,260,730
Buildings	4,120,471	4,120,471
Software	6,151,720	2,061,980
Furniture and equipment	1,359,641	1,349,581
Enterprise platform	4,865,070	4,865,070
Artwork	30,000	30,000
	17,787,632	13,687,832
Less accumulated depreciation and amortization	12,089,893	11,086,849
	\$ 5,697,739	\$ 2,600,983

Note 7: Line of Credit

On June 20, 2013, the Organization obtained a \$1,000,000 revolving bank line of credit expiring in June 2014. At June 30, 2013, no amounts were borrowed against this line. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate, which was 3.75% on June 30, 2013, plus 0.5%, and is payable monthly.

Note 8: Long-term Debt

Long-term debt at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Capital lease obligations (A)	\$ 162,999	\$ 294,081
Less current maturities	134,425	137,307
	\$ 28,574	\$ 156,774

(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, 2013 and 2012

Aggregate annual maturities on capital lease obligations at June 30, 2013 are:

	Capital Lease Obligations
2014	\$ 134,425
2015	31,445
	165,870
Less amount representing interest	2,871
Present value of future minimum lease payments	\$ 162,999

Property and equipment includes the following under capital leases at June 30, 2013 and 2012:

	2013	2012
Equipment	\$ 639,887	\$ 669,420
Less accumulated depreciation	(501,665)	(408,791)
	\$ 138,222	\$ 260,629

Note 9: Board-Designated and Temporarily Restricted Net Assets

Board-designated net assets established by the Board of Directors consist of the following at June 30, 2013 and 2012:

	2013	2012
Headquarters Development	\$ 1,076,148	\$ 1,018,544
Colgate-Hook Memorial	176,234	168,550
Leadership Conference Scholarship Fund	7,954	7,954
Total Board-designated net assets	\$ 1,260,336	\$ 1,195,048

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, 2013 and 2012

Temporarily restricted net assets consist of the following at June 30, 2013 and 2012:

	2013	2012
Accenture Work Readiness	\$ 206,420	\$ -
Allstate Foundation - Economics for Success	13,675	157,182
AT&T - Social Innovation	-	197,034
AT&T - Job Mentoring	180,408	77,297
AT&T - Job Mentoring 12-13	59,319	-
AT&T - Job Shadow	-	16,000
Bechtel - Building Future Leaders	8,385	85,551
Capital One - Mobile FP	-	10,024
Capital One - Virtual FP	267,332	1,042,000
Capital One - Finance Park	925,110	-
Citi - Virtual Volunteer	175,647	360,740
Citi - BIA Virtual	-	7,383
Citi - BIA No American Competition	-	25,966
Coca Cola - Civic Engagement	337,623	-
Coca Cola - MENA	17,796	301,173
Deloitte - MENA	39,342	98,112
El Pomar - Project Leap	-	45,905
Emerson - Company Program	-	32,945
Flemke Memorial Fund	106,769	94,653
Goizueta - Hispanic Initiative	206,068	277,980
Hall Of Fame	647,406	612,751
Heritage Campaign	58,535	62,622
HP - Responsible Business Competition	-	25,011
HSBC - Volunteer Alliance	12,060	21,150
ING - Job Shadow	12,850	16,041
J.P. Morgan - Success Skills	296,732	-
Jim Hayes Endowment	19,859	18,796
KPMG JA Finance Park	1,646,415	-
Manpower - JA Success Skills	-	180,000
Manpower Group FP & BT	58,500	-
Mass Mutual - Vol Alliance	43,700	-
MasterCard - JA INJAZ	122,500	-
MasterCard - MENA	42,026	73,829
Microsoft - Job Shadow	24,763	87,000
Microsoft Software	3,408,117	-

Junior Achievement USA

Notes to Financial Statements

June 30, 2013 and 2012

	2013 (continued)	2012 (continued)
Mobil Land	5,000	5,000
NYL - Skills For Success	-	19,250
PwC Mobile App	229,375	-
S B Colgate	254,967	306,423
Sam's Club	111,718	-
Sam's Club - Giving Program	-	25,724
Skoll Foundation - MENA	4,567	121,818
Sprint JA In A Day	6,600	-
T. Rowe Price	43,036	-
Travel Industry Association - Destination Travel	7,000	11,395
United Technologies	-	120,752
Transformation Initiative	20,000	-
University of Phoenix Curriculum Supplements	-	36,260
UPS Be Entrepreneurial	15,050	-
USA COY	82,392	74,658
For periods after June 30		
American Express	-	20,000
AT&T	-	300,000
El Pomar	20,000	29,818
	<hr/>	<hr/>
Total temporarily restricted	<u>\$ 9,737,062</u>	<u>\$ 4,998,243</u>

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

Note 10: Net Assets Released from Restrictions

Net assets were released from temporary restrictions by incurring expenses satisfying restricted purposes for the years ended June 30, 2013 and 2012 as follows:

	2013	2012
AARP - Finance Education Pilot Program	\$ -	\$ 12,000
Accenture Work Readiness	744,189	-
Allstate Foundation - Economics for Success	143,508	89,929
America's Promise	-	5,000
Amex - Student Center	-	43,400
Amex - Emerging Leaders	-	89,344
AT&T - Social Innovation	167,526	2,966
AT&T - Job Mentoring	274,889	703
AT&T - Job Mentor 12-13	254,196	-
AT&T - Job Shadow	-	34,271
AT&T - Job Shadow	16,000	270,198
Bechtel - Building Future Leaders	77,166	49,449
Capital One - Finance Park	83,390	-
Capital One - Mobile FP	10,024	1,077,260
Capital One Virtual Fp	774,668	-
Citi - Virtual Volunteer	185,093	126,760
Citi - BIA	21,066	-
Citi - BIA Virtual	7,383	12,472
Coca Cola - Civic Engagement	162,377	-
Coca Cola - MENA	283,377	198,827
Deloitte - MENA	58,770	151,888
Donaldson Graduate & Succeed	-	13,500
El Pomar - Project Leap	45,905	44,095
Emerson - Company Program	32,945	167,055
FedEx - APAC ITC	-	64,843
FedEx - Company of the Year	-	62,568
FedEx - NFL	12,000	12,000
Flemke Memorial Fund	6,832	8,067
Goizueta - Hispanic Initiative	71,912	206,339
Hall Of Fame	4,219	3,884
Heritage Campaign	7,356	9,954
HP Responsible Business Competition	25,011	-
HP - R&D New Program Delivery	-	23,223

Junior Achievement USA

Notes to Financial Statements

June 30, 2013 and 2012

	2013 (continued)	2012 (continued)
HSBC - Volunteer Initiative	5,730	41,109
HSBC Volunteer Alliance	21,150	-
ING - Job Shadow	28,191	33,959
Jim Hayes Endowment	129	119
J.P. Morgan - Success Skills	53,268	-
KPMG JA Finance Park	99,315	-
Manpower - JA Success Skills	180,000	180,000
Manpower Group FP & BT	1,500	-
Mass Mutual - Vol Alliance	30,550	-
MasterCard - JA INJAZ	77,500	-
MasterCard - MENA	31,803	111,171
MENA ROC	82,935	155,000
Met Life - JA Economics	-	27,750
Microsoft - Job Shadow	62,237	-
Microsoft Software	2,869,465	-
NYL - Skills For Success	19,250	29,500
PwC Mobile App	166,625	-
Prudential - Evaluation	-	3,000
S B Colgate	51,455	74,403
Sam's Club	78,282	-
Sam's Club - Giving Program	25,724	33,867
Sam's Club - Giving Made Simple	-	44,276
Skoll Foundation - MENA	117,251	153,928
T. Rowe Price	78,964	-
Travel Industry Association - Destination Travel	4,395	14,038
United Technologies	120,752	24,027
University of Phoenix Curriculum Supplements	36,260	62,326
UPS - Be Entrepreneurial	36,550	48,000
US Chamber - Student Survey	-	8,348
USA COY	242,265	25,345
Sam's Club - Giving Program	-	12,300
Time restriction release		
AT&T	300,000	300,000
El Pomar	30,000	30,000
American Express	20,000	-
	<u>\$ 8,341,348</u>	<u>\$ 4,192,461</u>

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

Note 11: Pension and Postretirement Plan

Multiemployer Pension Plan

The Organization offers a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by the Organization and covers all full-time employees of the Organization, JA Worldwide, Inc. and participating Junior Achievement chapters in the United States. The Plan is accounted for like a multiemployer 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, 2012, the Organization makes contributions equal to 16.75% of participants' eligible compensation. Prior to this, the Organization made contributions equal to 11.5% of participants' 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.

Total Plan Information

A June 30 measurement date is used for the Plan. Significant balances, costs and assumptions are:

	2013	2012
Benefit obligation	\$(65,120,717)	\$(69,032,732)
Fair value of Plan assets	43,112,538	38,386,232
Underfunded status	<u>\$(22,008,179)</u>	<u>\$(30,646,500)</u>
Accumulated benefit obligation	<u>\$ 58,950,012</u>	<u>\$ 62,266,153</u>

Significant assumptions include:

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

	2013	2012
Discount rate	4.25%	3.75%
Rate of compensation increase	4.00%	4.00%

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

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

	2013	2012
Discount rate	4.25%	3.75%
Expected return on Plan assets	6.25%	6.50%
Rate of compensation increase	4.00%	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 by the Plan as of June 30, 2013:

2014	\$ 5,875,215
2015	6,363,881
2016	6,352,360
2017	5,099,790
2018	5,156,362
2019 to 2023	27,124,487

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.

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 2013 are:

Equity mutual funds	Not to exceed 65.00%
Corporate debt securities	Not to exceed 48.00%
Real estate	Not to exceed 6.00%
Cash and cash equivalents	Not to exceed 2.00%

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

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

	2013	2012
Equity mutual funds	56.00%	55.00%
Fixed income mutual funds	39.00%	39.00%
Real estate mutual funds	5.00%	6.00%
	100.00%	100.00%

Information on Organization’s Participating in the Plan

The risks to the Organization of participating in this multiemployer pension plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Organization chooses to stop participating in the Plan, the Organization would be required to pay the Plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization’s participation in this Plan for the annual period ended June 30, 2013 is outlined in the table below. The “EIN/Pension Plan Number” column provides the Employee Identification Number (EIN) and the three-digit plan number. The Plan’s funded status available in 2013 and 2012 is for years ended June 30, 2013 and 2012, respectively. Finally, the number of employees covered by the Organization’s multiemployer plan increased by 5% from 2012 to 2013 and the Plan increased its base for contributions from 11.5% of eligible compensation in 2012 to 16.75% of eligible compensation in 2013. These factors affect the period-to-period comparability of the contributions for years 2013 and 2012.

Pension Fund	EIN/Pension Plan Number	Funded Status		Contributions of Organization	
		2013	2012	2013	2012
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN 333	66%	56%	\$ 890,647	\$ 591,645
Total Contributions				\$ 890,647	\$ 591,645

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

The Organization was listed in its Plan's Form 5500 as providing more than 5% of the total contributions for the June 30, 2013 and 2012 plan years.

Note 12: 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 multiemployer plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization, JA Worldwide, Inc. and employees of Junior Achievement USA chapters can participate in the Health and Welfare Plan. All the assets and liabilities of the Health and Welfare 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.

The following represents summarized financial information pertaining to the Benefits Trust as of and for the years ended June 30, 2013 and 2012:

	2013	2012
Assets	\$ 5,234,844	\$ 4,774,921
Liabilities	<u>75,127</u>	<u>91,198</u>
Net assets	<u>\$ 5,159,717</u>	<u>\$ 4,683,723</u>
Additions to net assets	\$ 6,415,237	\$ 5,561,405
Deductions from net assets	<u>5,939,243</u>	<u>5,325,881</u>
Change in net assets	475,994	235,524
Net assets, beginning of year	<u>4,683,723</u>	<u>4,448,199</u>
Net assets, end of year	<u>\$ 5,159,717</u>	<u>\$ 4,683,723</u>

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

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, 2013 and 2012 is \$369,238 and \$574,033, respectively. This liability is not recorded in the Benefits Trust's statements of net assets available for benefits.

Postretirement Benefits Plan

The Health and Welfare Plan also offers health care benefits to retired personnel of the participating employees. 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 multiemployer plan. Accordingly, no balances or transactions of the Postretirement Benefits Plan are recorded in the financial statements of the Organization.

Total Postretirement Plan Information

A June 30 measurement date is used for the Postretirement Plan. Significant balances, costs and assumptions are:

	2013	2012
Benefit obligation	\$ (6,333,037)	\$ (6,240,416)
Fair value of Plan assets	-	-
Underfunded status	<u>\$ (6,333,037)</u>	<u>\$ (6,240,416)</u>
Accumulated benefit obligation	<u>\$ (6,333,037)</u>	<u>\$ (6,240,416)</u>

Weighted-average assumptions used to determine benefit obligations at June 30, 2013 and 2012:

	2013	2012
Discount rate	4.25%	3.75%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine benefit costs at June 30, 2013 and 2012:

	2013	2012
Discount rate	3.75%	5.00%
Rate of compensation increase	4.00%	4.00%

Junior Achievement USA
Notes to Financial Statements
June 30, 2013 and 2012

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2013:

2014	\$	276,328
2015		315,463
2016		347,547
2017		349,668
2018		341,710
2019 to 2023		1,948,833

The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2013 and 2012 was \$976,878 and \$940,941, respectively.

Note 13: Related Party Transactions

Activity with JA Worldwide, Inc.

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 \$525,000 and \$745,000 during 2013 and 2012, respectively. JA Worldwide, Inc. assessed a license fee of \$1,133,389 and \$1,091,000 during 2013 and 2012, respectively, 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 uncollected and unpaid balances related to transactions with JA Worldwide, Inc. are shown net in the due from related party or due to related party line items on the statements of financial position. For 2013, the net unpaid balance of \$8,755 consists of receivables of approximately \$164,000 and payables of approximately \$173,000. For 2012, the net unpaid balance of \$66,859 consists of receivables of approximately \$97,000 and payables of approximately \$164,000.

Activity with Board Members and Other Related Parties

Contributions of cash, in-kind gifts and pledges from related parties including Board members and corporations controlled by Board members was \$12,115,406 and \$2,946,439 during the years ended June 30, 2013 and 2012, respectively. Contributions receivable from related parties including Board members and corporations controlled by Board members was \$1,567,471 and \$2,211,150 as of June 30, 2013 and 2012, respectively.

Junior Achievement USA

Notes to Financial Statements

June 30, 2013 and 2012

Activity with USA Area Offices

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 \$221,217 and \$675,009, respectively as of June 30, 2013 and total \$170,602 and \$891,628, respectively, as of June 30, 2012. During the years ended June 30, 2013 and 2012, the Organization passed through to the area offices \$3,705,286 and \$5,402,398, respectively, 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 \$270,600 and \$669,500 as of June 30, 2013 and 2012, respectively.

Substantially all of the Organization's accounts receivable as of June 30, 2013 and 2012, relate to sales of materials to international members and area offices. These related party sales and cost of sales amounted to \$13,527,108 and \$5,273,825, respectively, for 2013 and \$13,547,065 and \$5,333,273, respectively, for 2012.

The Organization also receives license fee income from area offices. These fees totaled \$4,405,109 and \$4,314,280, for the years ended June 30, 2013 and 2012, respectively. The Organization has accounts receivable of \$1,449,624 and \$1,029,554 as of June 30, 2013 and 2012, respectively from area offices.

Note 14: 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 Concentrations

Contribution revenue (including in-kind contributions) of \$14,441,416 and \$5,040,738 in 2013 and 2012, comprised approximately 40% and 21%, respectively, of the Organization's total support and revenue. Approximately 63% and 25% of the contribution revenue was received from three donors in 2013 and one donor in 2012, respectively.

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 \$75,000 and \$120,000 at June 30, 2013 and 2012, respectively. Actual inventory obsolescence may vary from the allowance accrued.

Junior Achievement USA

Notes to Financial Statements

June 30, 2013 and 2012

Note 15: Contingencies

The United States Agency for International Development (USAID) has historically been one of the primary federal awarding agencies for the Organization. Included in various grant agreements awarded by USAID was a provision for a Negotiated Indirect Cost Rate Agreement (NICRA). The provision stipulated that the Organization shall be reimbursed for indirect costs on the basis of the predetermined rate published in the agreement, but pending the establishment of a revised, final rate.

Subsequent to year-end, the Organization was notified by USAID of the final rates effective retroactively for grant periods from July 2004 through June 2010 and the revised, provisional rate effective retroactively for grant periods from July 2010 to present. Although the notification received from USAID was not yet executed by USAID, the Organization believes that a loss, resulting from the recalculated NICRA based on the revised rates, is probable on all applicable open grants and reasonably possible on all applicable closed grants.

As a result, the Organization recorded a contingency liability that is included in accounts payable and due to related party in the 2013 statement of financial position for all applicable open grants as of June 30, 2013 of \$139,618 and \$27,502, respectively. The Organization estimated the loss for all applicable closed grants of approximately \$150,000. As the Organization believes the likelihood of this loss is only reasonably possible (as these grants are pending formal closure with the awarding agency), the Organization did not record this estimate in the 2013 financial statements. It is reasonably possible that a change in these estimates could occur in the near term.

Note 16: Subsequent Events

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

Subsequent to year-end, oversight of the Middle East North Africa Regional Operating Center (MENA) was transferred from the Organization to JA Worldwide, Inc. As a result, the Organization transferred certain cash and investments to JA Worldwide, Inc. which total approximately \$1,375,000, which will result in a reduction of net assets in the same amount.

Supplementary Information

Junior Achievement USA
Statements of Functional Expenses
Years Ended June 30, 2013 and 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	
June 30, 2013									
Compensation	\$ 4,169,264	\$ 281,074	\$ 3,279,196	\$ 140,537	\$ 7,870,071	\$ 936,913	\$ 562,148	\$ 1,499,061	\$ 9,369,132
Occupancy	79,384	40,255	77,572	37,138	234,349	428,848	114,236	543,084	777,433
Product development	2,387,127	102,305	3,069,163	68,204	5,626,799	1,057,156	136,407	1,193,563	6,820,362
Program support	4,238,274	439,974	1,897,134	118,671	6,694,053	1,202,863	175,990	1,378,853	8,072,906
Office services	670,479	145,878	370,306	56,107	1,242,770	1,312,897	249,676	1,562,573	2,805,343
Depreciation and amortization	309,920	41,177	345,641	20,497	717,235	224,970	60,839	285,809	1,003,044
Total expenses	<u>\$ 11,854,448</u>	<u>\$ 1,050,663</u>	<u>\$ 9,039,012</u>	<u>\$ 441,154</u>	<u>\$ 22,385,277</u>	<u>\$ 5,163,647</u>	<u>\$ 1,299,296</u>	<u>\$ 6,462,943</u>	<u>\$ 28,848,220</u>

	Program Services					Support Services			Total Expenses
	Field Services	Communications & Marketing	Research & Development	Human Resources	Total Program Services	Management and General	Fundraising	Total Support Services	
June 30, 2012									
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	<u>\$ 7,995,114</u>	<u>\$ 951,989</u>	<u>\$ 8,388,357</u>	<u>\$ 856,138</u>	<u>\$ 18,191,598</u>	<u>\$ 5,316,202</u>	<u>\$ 1,019,474</u>	<u>\$ 6,335,676</u>	<u>\$ 24,527,274</u>

Junior Achievement USA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Cluster/Program	Federal Agency/Pass-through Entity	CFDA Number	Grant or Identifying Number	Amount
Middle East Partnership Initiative (MEPI)				
State Near Eastern Affairs	Department of State	19.500	S-NEAPI-10-CA-298	<u>\$724,901</u>
Total Middle East Partnership Initiative and total expenditures of federal awards				<u><u>\$724,901</u></u>

Notes to Schedule

1. This schedule includes the federal awards activity of Junior Achievement USA. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements as the basis of accounting related to a portion of the foreign expenditures more closely resembles cash basis than accrual basis.
2. Of the federal expenditures presented in this schedule, Junior Achievement USA provided no federal awards to subrecipients.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Junior Achievement USA
Colorado Springs, Colorado

We have audited, 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, the financial statements of Junior Achievement USA (the Organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Organization's internal control to determine the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 by 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 weaknesses may exist that have not been identified.

Board of Directors
Junior Achievement USA

Compliance and Other Matters

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

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Colorado Springs, Colorado
November 26, 2013

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Board of Directors
Junior Achievement USA
Colorado Springs, Colorado

Report on Compliance for Each Major Federal Program

We have audited Junior Achievement USA's (the Organization) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Junior Achievement USA's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

Board of Directors
Junior Achievement USA

Opinion on Each Major Federal Program

In our opinion, Junior Achievement USA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Junior Achievement USA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Colorado Springs, Colorado
November 26, 2013

Junior Achievement USA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of auditor’s report issued:

- Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

- Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements noted?

- Yes No

Federal Awards

4. Internal control over major programs:

- Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. Type of auditor’s report issued on compliance for major programs:

- Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

- Yes No

7. Identification of major programs:

CFDA Number	Cluster/Program
19.500	Middle East Partnership Initiative (MEPI)

8. Dollar threshold used to distinguish between Type A and Type B: \$300,000.

9. Auditee qualified as a low-risk auditee? Yes No

Junior Achievement USA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

Reference Number	Finding	Questioned Costs
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No matters are reportable

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
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No matters are reportable

Junior Achievement USA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Reference Number	Finding	Questioned Costs
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No matters are reportable