

***JUNIOR ACHIEVEMENT OF
WESTERN PENNSYLVANIA, INC.***

AUDITED FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Junior Achievement of Western Pennsylvania, Inc.
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Junior Achievement of Western Pennsylvania, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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. 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 entity'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 entity'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.

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 of Western Pennsylvania, Inc. as of June 30, 2019 and 2018, 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.

McClintock & Associates, P.C.

Pittsburgh, Pennsylvania
December 4, 2019

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF FINANCIAL POSITION

ASSETS

| | June 30, | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,685,166 | \$ 1,154,113 |
| Investments | 1,546,663 | 1,505,776 |
| Accounts receivable, net of allowance for doubtful accounts of \$7,500 and \$0, respectively | 199,687 | 228,048 |
| Current portion of pledges receivable, net | 451,508 | 157,548 |
| Prepaid expenses | 9,960 | 4,227 |
| TOTAL CURRENT ASSETS | 3,892,984 | 3,049,712 |
| PLEDGES RECEIVABLE, net | 941,767 | 258,592 |
| CONTRIBUTED USE OF BUILDING, net of unamortized discount of \$133,173 and \$134,990, respectively | 795,895 | 897,308 |
| PROPERTY AND EQUIPMENT, net | 274,425 | 63,609 |
| SECURITY DEPOSIT | 19,420 | 19,420 |
| TOTAL ASSETS | \$ 5,924,491 | \$ 4,288,641 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 506,237 | \$ 67,285 |
| Accrued expenses | 30,997 | 12,888 |
| Accrued scholarships | 616,045 | 665,379 |
| Deferred revenue | 31,133 | 29,935 |
| Line of credit | 125,000 | 0 |
| TOTAL CURRENT LIABILITIES | 1,309,412 | 775,487 |
| DEFERRED RENT | 160,865 | 15,640 |
| NET ASSETS | | |
| Without donor restrictions | 820,038 | 955,523 |
| With donor restrictions | 3,634,176 | 2,541,991 |
| TOTAL NET ASSETS | 4,454,214 | 3,497,514 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,924,491 | \$ 4,288,641 |

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF ACTIVITIES

| | Year Ended June 30, 2019 | | |
|--|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE | | | |
| CONTRIBUTIONS | | | |
| Corporate | \$ 759,763 | \$ 1,826,150 | \$ 2,585,913 |
| Individual | 152,289 | 0 | 152,289 |
| Foundations | 319,136 | 0 | 319,136 |
| TOTAL CONTRIBUTIONS | 1,231,188 | 1,826,150 | 3,057,338 |
| SPECIAL EVENTS | | | |
| Gross revenues | 1,281,716 | 0 | 1,281,716 |
| Event expenses | (473,130) | 0 | (473,130) |
| NET SPECIAL EVENTS | 808,586 | 0 | 808,586 |
| Governmental revenue | 170,500 | 0 | 170,500 |
| Other income | 53,996 | 0 | 53,996 |
| In-kind contributions | 46,983 | 0 | 46,983 |
| Unrealized loss on investments | (18,949) | 0 | (18,949) |
| Realized loss on investments | (2,003) | 0 | (2,003) |
| Investment income | 78,352 | 0 | 78,352 |
| Net assets released from restriction | 679,965 | (679,965) | 0 |
| TOTAL SUPPORT AND REVENUE | 3,048,618 | 1,146,185 | 4,194,803 |
| EXPENSES | | | |
| Salaries, wages and wage taxes | 1,147,588 | 0 | 1,147,588 |
| Employee benefits | 208,997 | 0 | 208,997 |
| Program materials | 338,144 | 0 | 338,144 |
| Scholarship expense | 494,500 | 0 | 494,500 |
| Legal and professional fees | 117,579 | 0 | 117,579 |
| Rent and occupancy | 355,921 | 0 | 355,921 |
| Office expense | 74,149 | 0 | 74,149 |
| License fee | 65,670 | 0 | 65,670 |
| Public relations | 63,154 | 0 | 63,154 |
| Miscellaneous expense | 70,838 | 0 | 70,838 |
| Travel | 49,412 | 0 | 49,412 |
| Communications | 39,974 | 0 | 39,974 |
| Depreciation and amortization | 10,029 | 0 | 10,029 |
| Capital campaign | 96,552 | 0 | 96,552 |
| Fundraising | 22,875 | 0 | 22,875 |
| Interest | 7,255 | 0 | 7,255 |
| Bad debt expense | 21,466 | 54,000 | 75,466 |
| TOTAL EXPENSES | 3,184,103 | 54,000 | 3,238,103 |
| CHANGE IN NET ASSETS | (135,485) | 1,092,185 | 956,700 |
| NET ASSETS AT BEGINNING OF YEAR | 955,523 | 2,541,991 | 3,497,514 |
| NET ASSETS AT END OF YEAR | \$ 820,038 | \$ 3,634,176 | \$ 4,454,214 |

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF ACTIVITIES

| | Year Ended June 30, 2018 | | |
|--|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE | | | |
| CONTRIBUTIONS | | | |
| Corporate | \$ 734,147 | \$ 495,260 | \$ 1,229,407 |
| Individual | 147,758 | 0 | 147,758 |
| Foundations | 173,243 | 0 | 173,243 |
| TOTAL CONTRIBUTIONS | 1,055,148 | 495,260 | 1,550,408 |
| SPECIAL EVENTS | | | |
| Gross revenues | 1,282,562 | 0 | 1,282,562 |
| Event expenses | (525,550) | 0 | (525,550) |
| NET SPECIAL EVENTS | 757,012 | 0 | 757,012 |
| Governmental revenue | 185,250 | 0 | 185,250 |
| Other income | 51,506 | 0 | 51,506 |
| Forgiveness of property taxes | 142,360 | 0 | 142,360 |
| In-kind contributions | 105,298 | 897,308 | 1,002,606 |
| Unrealized loss on investments | (10,090) | 0 | (10,090) |
| Realized gains on investments | 20,763 | 0 | 20,763 |
| Investment income | 67,993 | 0 | 67,993 |
| Net assets released from restriction | 460,542 | (460,542) | 0 |
| TOTAL SUPPORT AND REVENUE | 2,835,782 | 932,026 | 3,767,808 |
| EXPENSES | | | |
| Salaries, wages and wage taxes | 1,061,624 | 0 | 1,061,624 |
| Employee benefits | 251,738 | 0 | 251,738 |
| Program materials | 293,876 | 0 | 293,876 |
| Scholarship expense | 442,151 | 0 | 442,151 |
| Legal and professional fees | 99,269 | 0 | 99,269 |
| Rent and occupancy | 97,607 | 0 | 97,607 |
| Office expense | 65,853 | 0 | 65,853 |
| License fee | 59,281 | 0 | 59,281 |
| Public relations | 133,319 | 0 | 133,319 |
| Miscellaneous expense | 77,930 | 0 | 77,930 |
| Travel | 47,845 | 0 | 47,845 |
| Communications | 37,172 | 0 | 37,172 |
| Depreciation and amortization | 999 | 0 | 999 |
| Fundraising | 33,710 | 0 | 33,710 |
| Interest | 973 | 0 | 973 |
| Bad debt expense | 0 | 20,000 | 20,000 |
| TOTAL EXPENSES | 2,703,347 | 20,000 | 2,723,347 |
| CHANGE IN NET ASSETS | 132,435 | 912,026 | 1,044,461 |
| NET ASSETS AT BEGINNING OF YEAR | 823,088 | 1,629,965 | 2,453,053 |
| NET ASSETS AT END OF YEAR | \$ 955,523 | \$ 2,541,991 | \$ 3,497,514 |

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

| Year Ended June 30, 2019 | | | | |
|---------------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| | Program | Management and General | Fundraising | Totals |
| Salaries, wages and wage taxes | \$ 781,622 | \$ 116,366 | \$ 249,600 | \$ 1,147,588 |
| Employee benefits | 142,348 | 21,192 | 45,457 | 208,997 |
| Program materials | 338,144 | 0 | 0 | 338,144 |
| Capital campaign | 96,552 | 0 | 0 | 96,552 |
| Travel | 35,883 | 2,387 | 11,142 | 49,412 |
| Office expense | 54,870 | 8,156 | 11,122 | 74,148 |
| Rent and occupancy | 284,737 | 35,592 | 35,592 | 355,921 |
| License Fee | 65,670 | 0 | 0 | 65,670 |
| Communications | 29,981 | 3,997 | 5,997 | 39,975 |
| Advertising | 356 | 0 | 68 | 424 |
| Public relations | 53,321 | 0 | 9,410 | 62,731 |
| Fundraising | 0 | 0 | 22,875 | 22,875 |
| Scholarship expense | 494,500 | 0 | 0 | 494,500 |
| Depreciation and amortization | 8,525 | 1,504 | 0 | 10,029 |
| Legal and professional fees | 80,083 | 11,923 | 25,573 | 117,579 |
| Miscellaneous expense | 22,597 | 3,228 | 6,456 | 32,281 |
| Investment expense | 0 | 12,805 | 0 | 12,805 |
| Interest expense & bank fees | 0 | 33,006 | 0 | 33,006 |
| Bad Debt | 0 | 75,466 | 0 | 75,466 |
| Totals | \$ 2,489,189 | \$ 325,622 | \$ 423,292 | \$ 3,238,103 |

| Year Ended June 30, 2018 | | | | |
|---------------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| | Program | Management and General | Fundraising | Totals |
| Salaries, wages and wage taxes | \$ 723,072 | \$ 107,649 | \$ 230,903 | \$ 1,061,624 |
| Employee benefits | 171,459 | 25,526 | 54,753 | 251,738 |
| Program materials | 293,876 | 0 | 0 | 293,876 |
| Travel | 34,745 | 2,311 | 10,789 | 47,845 |
| Office expense | 48,731 | 7,244 | 9,878 | 65,853 |
| Rent and occupancy | 78,086 | 9,761 | 9,761 | 97,608 |
| License Fee | 59,281 | 0 | 0 | 59,281 |
| Communications | 27,879 | 3,717 | 5,576 | 37,172 |
| Advertising | 3,650 | 0 | 695 | 4,345 |
| Public relations | 109,628 | 0 | 19,346 | 128,974 |
| Fundraising | 0 | 0 | 33,710 | 33,710 |
| Scholarship expense | 442,151 | 0 | 0 | 442,151 |
| Depreciation and amortization | 849 | 150 | 0 | 999 |
| Legal and professional fees | 67,612 | 10,066 | 21,591 | 99,269 |
| Miscellaneous expense | 34,900 | 4,986 | 9,972 | 49,858 |
| Investment expense | 0 | 10,401 | 0 | 10,401 |
| Interest expense & bank fees | 0 | 18,643 | 0 | 18,643 |
| Bad Debt | 0 | 20,000 | 0 | 20,000 |
| Totals | \$ 2,095,919 | \$ 220,454 | \$ 406,974 | \$ 2,723,347 |

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF CASH FLOWS

| | Years Ended June 30, | |
|---|-----------------------------|----------------------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 956,700 | \$ 1,044,461 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Bad debt expense | 75,466 | 20,000 |
| Depreciation and amortization | 10,029 | 999 |
| Contributed use of building | 103,230 | (1,032,298) |
| Amortized / Unamortized discount on contributed use of building | (1,817) | 134,990 |
| Unamortized discount on pledges receivable | 89,900 | 0 |
| Unrealized loss on investments | 18,949 | 10,090 |
| Realized (loss) gain on investments | 2,003 | (20,763) |
| Deferred rent | 145,225 | 15,640 |
| Decrease (increase) in: | | |
| Accounts receivable | 6,895 | (65,426) |
| Pledges receivable | (1,121,035) | 52,432 |
| Prepaid expenses | (5,733) | (3,150) |
| Security deposit | 0 | (19,420) |
| Increase (decrease) in: | | |
| Accounts payable | 226,927 | 55,156 |
| Accrued expenses | 18,109 | (182,743) |
| Accrued scholarship | (49,334) | 42,869 |
| Deferred revenue | 1,198 | (22,023) |
| Total net operating adjustment | <u>(479,988)</u> | <u>(1,013,647)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 476,712 | 30,814 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | (8,820) | (64,169) |
| Purchase of investments | (131,707) | (560,252) |
| Proceeds from sale of investments | 69,868 | 470,669 |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(70,659)</u> | <u>(153,752)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from line of credit | 250,000 | 0 |
| Payments on line of credit | <u>(125,000)</u> | <u>(100,000)</u> |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | <u>125,000</u> | <u>(100,000)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 531,053 | (222,938) |
| Cash and cash equivalents at beginning of year | <u>1,154,113</u> | <u>1,377,051</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,685,166</u> | <u>\$ 1,154,113</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | <u>\$ 7,255</u> | <u>\$ 973</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY: | | |
| Accounts payable for construction in progress | <u>\$ 212,025</u> | <u>\$ 0</u> |

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS

Junior Achievement of Western Pennsylvania, Inc. (Organization, Junior Achievement, or JA), a not-for-profit corporation, was organized in the Commonwealth of Pennsylvania. The Organization is a member of JA USA (National Organization), which is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Junior Achievement encourages business awareness among elementary, junior high, and high school students through classes and practical experience outside of the classroom. JA services the western Pennsylvania area including the Erie and Johnstown areas as well as parts of West Virginia.

The Organization receives donations from corporations, individuals, and foundations, holds special events, and receives various state and local grants. These funds are used to support the various program activities of the Organization and to provide scholarships.

Management of the Organization has evaluated subsequent events through December 4, 2019, the date the financial statements were available to be issued and, except for the disclosure in Notes I and Q, has no material subsequent events to report.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Organization records unconditional promises to give (pledges) as receivables (stated at fair value) and revenues and distinguishes between contributions received for each net asset category. For external financial reporting, it classifies resources for accounting and reporting purposes into two net asset categories according to external (donor) imposed restrictions. A description of the two net asset categories follows.

1. Net assets without donor restrictions include gifts and contributions which are currently available for use in the Organization's general operations. Net assets without donor restrictions also include restricted gifts and contributions whose restrictions have been met within the same reporting period.
2. Net assets with donor restrictions include gifts and contributions for which the donor-imposed restrictions are temporary in nature that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit use of part or all of the income derived from those resources. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note P for the Organization's net assets with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank and all short-term investments with an original maturity of 90 days or less (See Note D).

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments held in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Unrealized and realized gains or losses are included in the statements of activities. Realized gains or losses are recognized using the average cost method. Investment income is recognized when earned.

Accounts Receivable

Accounts receivable consists of amounts due to the Organization from the various fund-raising and special events held during the year. The receivables are recorded at the cost for the level of sponsorship and participation in the various events as well as from services provided. All accounts receivable are expected to be collected within one year. Management has estimated an allowance for uncollectible accounts based upon historical collections and the sum of the collection risk associated with each account's uncollected balance based upon accounts receivable aging. Write-offs are recorded based on the discretion of management after all collection efforts have been exhausted.

Pledges Receivable and Allowance for Uncollectible Pledges

Pledges (cash and noncash) are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional and are recorded at fair value in the period they are received. Pledges extending beyond one year are discounted to recognize the present value of future cash flows. Pledges that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the pledges are recognized. All other donor-restricted pledges are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Management has estimated an allowance for uncollectible pledges based upon historical collections and the sum of the collection risk associated with each donor's uncollected balance based upon pledges receivable aging. Write-offs are recorded based on the discretion of management after all collection efforts have been exhausted.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for renewals and betterments which extend the life of the assets are capitalized. Repairs and maintenance items are charged to expense as incurred. Gain or loss on the retirement or disposal of assets is included in operations in the year of disposal. Depreciation and amortization expenses are computed using the straight-line method based on the estimated useful lives of the assets. Improvements are being amortized over the length of the leases.

Donated Assets

Donations of property and equipment and other non-cash donations are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These donated services are recorded at their estimated fair value.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue consists principally of cash received as participation fees for fund-raising events to be held in the year subsequent to receipt.

Grant Revenue

Unconditional grants are recognized as revenue when the cash is received, or the grant is awarded. Conditional grants are recognized as revenue once all conditions stipulated by the grantor have been met.

Deferred Rent

The Organization has entered into an operating lease for its main facility which contains certain provisions for escalating rent. The Organization recognizes rent expense on the straight-line method over the life of the lease. The Organization had recorded monthly rent expense equal to the total of the payments due over the lease term, amortized over the number of months of the lease. The difference between rent expense recorded and rent paid is charged to deferred rent. This deferred rent will be used to offset future rent expense for financial statement purposes.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Such expenses include but are not limited to salaries and employee benefits, professional fees, rent and occupancy. Salary and employee benefits are allocated on historical analyses of where efforts are expended. The allocation of rent and occupancy is based on the overall square footage at each location in which the various functions can be explicitly identified.

Special Events

The Organization collects revenues and incurs expenses in connection with certain fund-raising events. These revenues and related expenditures are included in the statements of activities as a net amount under support and revenue.

Income Taxes

The Internal Revenue Service has determined that National Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The National Organization must continue to meet certain tests to maintain its status as a publicly supported organization.

Financial Instruments

The fair values and carrying amounts of the Organization's financial instruments, primarily current assets and liabilities, are approximately equivalent.

Reclassifications

Certain reclassifications have been made to the prior year's balances to conform to the current year's financial statement presentation. These reclassifications had no effect on the change in net assets.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which consists of six main provisions that amend the financial statements and notes for not-for-profit organizations. The ASU makes changes to net number of net asset classes presented, enhanced disclosures regarding liquidity and self-imposed limits of net assets, increased disclosures related to expense classification disclosure, program and support functions, and underwater endowments. The Organization has adjusted the presentation of these statements accordingly.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition* and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, deferring the effective date of this amendment by one year. This ASU will be effective for the Organization's year ended June 30, 2020. The Organization is currently in the process of assessing the impact of the adoption of this standard on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU supersedes existing guidance on accounting for leases in Accounting Standards Codification Topic 840, *Leases*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This ASU will be effective for the Organization's year ended June 30, 2022. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organization is currently in the process of assessing the impact of the adoption of this standard on its financial statements.

In June 2018, the FASB issued ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new standard allows for a modified prospective application and is effective for the annual financial statements issued for fiscal years beginning after December 15, 2018 for resource recipients and December 15, 2019 for resource providers. Management is currently evaluating the effect that implementation of the new standard will have on the financial statements.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE C - CONCENTRATION OF CREDIT RISK

The Organization, at times, has cash deposits which exceed \$250,000 in an individual bank. The Federal Deposit Insurance Corporation (FDIC) insures only the first \$250,000 of funds at member banks.

The Organization maintains various investment vehicles. These investments are uninsured and are subject to market fluctuation.

NOTE D - INVESTMENTS

Investments at June 30 are comprised of:

| | 2019 | | 2018 | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | Market | Cost | Market | Cost |
| Mutual funds - equity | \$ 842,779 | \$ 729,621 | \$ 801,296 | \$ 647,379 |
| Mutual funds - bonds | <u>703,884</u> | <u>687,299</u> | <u>704,480</u> | <u>703,187</u> |
| | <u>\$ 1,546,663</u> | <u>\$ 1,416,920</u> | <u>\$ 1,505,776</u> | <u>\$ 1,350,566</u> |

Unrealized (gains)/losses for the years ended June 30, 2019 and 2018, were \$18,949 and \$10,090, respectively. Realized (gains)/losses for the years ended June 30, 2019 and 2018, were \$2,003 and (\$20,763), respectively. Investment income for the years ended June 30, 2019 and 2018, was 78,352 and \$67,993, respectively. Investment expenses for the years ended June 30, 2019 and 2018, were \$12,805 and \$10,401, respectively. Approximately \$64,300 and \$62,200 of money market funds included in the investment brokerage account at June 30, 2019 and 2018, respectively, is included in cash and cash equivalents on the statements of financial position.

As discussed in Note I, the line of credit is secured by investments up to the balance outstanding. As of June 30, 2019 and 2018, the balance outstanding was \$125,000 and \$0, respectively.

The Organization utilizes various investment instruments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future financial statements.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENT

ASC Topic 820 - *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1 - Inputs in the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

Inputs other than quoted prices that are observable for the asset or liability.

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodology used for assets measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization as of the balance sheet date.

Pledges receivable: Valued based on the present value of future cash flows using the Federal Treasury discounted rate as of the balance sheet date.

Contributed use of building: Valued based on the present value of future cash flows using the Federal Treasury discounted rate as of the balance sheet date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall as of June 30, 2019 and 2018.

| | Fair Value at June 30, 2019 | | |
|-----------------------------------|------------------------------------|----------------|---------------------|
| | Level 1 | Level 2 | Level 3 |
| Mutual Funds: | | | |
| Large Domestic Common Stock Funds | \$ 254,868 | \$ 0 | \$ 0 |
| Small Domestic Common Stock Funds | 143,001 | 0 | 0 |
| International Common Stock Funds | 287,116 | 0 | 0 |
| Real Estate Investment Trusts | 44,613 | 0 | 0 |
| Other Equity Funds | 113,181 | 0 | 0 |
| Short Term Debt Funds | 270,370 | 0 | 0 |
| Intermediate Term Debt Funds | 433,514 | 0 | 0 |
| Total Investments | \$ 1,546,663 | \$ 0 | \$ 0 |
| Pledges Receivable | \$ 0 | \$ 0 | \$ 1,393,275 |

| | Fair Value at June 30, 2018 | | |
|------------------------------------|------------------------------------|----------------|---------------------|
| | Level 1 | Level 2 | Level 3 |
| Mutual Funds: | | | |
| Large Domestic Common Stock Funds | \$ 230,966 | \$ 0 | \$ 0 |
| Small Domestic Common Stock Funds | 139,688 | 0 | 0 |
| International Common Stock Funds | 268,849 | 0 | 0 |
| Real Estate Investment Trusts | 45,085 | 0 | 0 |
| Other Equity Funds | 116,708 | 0 | 0 |
| Short Term Debt Funds | 277,039 | 0 | 0 |
| Intermediate Term Debt Funds | 427,441 | 0 | 0 |
| Total Investments | \$ 1,505,776 | \$ 0 | \$ 0 |
| Pledges Receivable | \$ 0 | \$ 0 | \$ 416,140 |
| Contributed Use of Building | 0 | 0 | 897,308 |
| Total | \$ 0 | \$ 0 | \$ 1,313,448 |

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENT (CONTINUED)

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Beginning balance | \$ 1,313,448 | \$ 514,572 |
| Purchases, sales, issuances, and settlements, net | 977,135 | 798,876 |
| Transfers in and/or out of Level 3 | <u>(897,308)</u> | <u>0</u> |
| Ending balance | <u>\$ 1,393,275</u> | <u>\$ 1,313,448</u> |

NOTE F - PLEDGES RECEIVABLE

Pledges receivable for the capital campaign (Note O) as of June 30, 2019 and 2018, are summarized as follows:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|---------------------|-------------------|
| Pledges receivable | \$ 1,583,175 | \$ 462,140 |
| Less unamortized discount | <u>(89,900)</u> | <u>0</u> |
| Subtotal | 1,493,275 | 462,140 |
| Less allowance for uncollectibles | <u>(100,000)</u> | <u>(46,000)</u> |
| Pledges receivable, net | <u>\$ 1,393,275</u> | <u>\$ 416,140</u> |
| Net amounts due in: | | |
| Less than one year | \$ 451,508 | \$ 157,548 |
| One to five years | 776,967 | 158,592 |
| More than five years | <u>164,800</u> | <u>100,000</u> |
| | <u>\$ 1,393,275</u> | <u>\$ 416,140</u> |

Of these receivables, \$458,500, net of allowance for uncollectible pledges, was due from three donors. Management has estimated an allowance for uncollectible pledges of \$100,000 and \$46,000, for the years ended June 30, 2019 and 2018, respectively (See Notes O and P).

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment at June 30 is summarized as follows:

| | June 30, | |
|--|-------------------|------------------|
| | 2019 | 2018 |
| Leasehold improvements | \$ 47,618 | \$ 40,055 |
| Computer equipment | 26,496 | 26,496 |
| Furniture and fixtures | 28,253 | 26,996 |
| | <u>102,367</u> | <u>93,547</u> |
| Less accumulated depreciation and amortization | <u>(39,967)</u> | <u>(29,938)</u> |
| | 62,400 | 63,609 |
| Construction in progress | 212,025 | 0 |
| Total | <u>\$ 274,425</u> | <u>\$ 63,609</u> |

Depreciation and amortization charged to operations for the years ended June 30, 2019 and 2018, was \$10,029 and \$999, respectively.

By June 30, 2019, JA entered into several agreements for approximately \$1,243,000 for the construction of BizTown (Note O), which are expected to be completed by January 2020. As of June 30, 2019, JA had incurred approximately \$210,000 of construction costs under these agreements.

NOTE H - CONTRIBUTED USE OF BUILDING

On June 1, 2018, the Organization entered into an operating lease agreement that included payment terms which were below the estimated fair market value rates for the rental space. It was the intention of the lessor to donate the office space to the Organization by granting rent concessions over the ten-year lease period. The Organization calculated the difference between the estimated fair value of the rental space and the actual rent to be paid over the term of the lease and determined that the rent concessions were approximately \$1,032,000. In accordance with ASC 958-605-30, the Organization recognized the contributed asset and restricted revenue as of the date noted above based on the estimated fair value of the rent concessions. The estimated fair value of the contribution was determined based on the present value of future cash flows using the Federal Treasury discounted rate over the lease term. The unamortized discount for the years ended June 30, 2019 and 2018 was of \$133,173 and \$134,990, respectively. The net contributed use of building is included on the accompanying statements of financial position. On an annual basis, the rent expense related to the contributed use of building is amortized using the straight-line method over the life of the lease. The amount charged to rent expense for the years ended June 30, 2019 and 2018 was \$101,413 and \$0, respectively (See Note J). The balance of the contributed use of building, net of the amortized rent expense and discount, for the years ended June 30, 2019 and 2018 was \$795,895 and \$897,308, respectively.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE I - LINE OF CREDIT AND SUBSEQUENT EVENT

The Organization has a \$500,000 line of credit with a bank. The line bears interest at Prime (5.50% on June 30, 2019) and is collateralized by a security interest in the Organization's Charles Schwab brokerage account (See Note D). The line of credit is subject to annual reviews and renews annually. Amounts outstanding under this line of credit as of June 30, 2019 and 2018, were \$125,000 and \$0, respectively.

On November 6, 2019, the Organization terminated the existing line of credit and transferred the outstanding balance of \$125,000 under a new line of credit agreement with a different financial institution. The line of credit is for \$500,000 and bears interest at 1% below Prime and matures in January 2021. There have been no additional borrowings under the line. The Organization must maintain a minimum of \$715,000 in the Charles Schwab brokerage account as collateral. In addition, with the same financial institution, the Organization entered into a construction bridge loan for up to \$1.1 million over a 12-month period when it will convert to a 10 year term loan. The construction loan bears interest at 1% below Prime, with interest only payments beginning December 2019. Upon conversion to a term loan, no later than November 6, 2020, the term note will convert to a fixed interest rate at 2.25% above the Five-Year Treasury Index for 5 years and then is reset for the prevailing Five-Year Treasury Index. The note matures 10 years from conversion and no later than November 2030. Both the line of credit and term note have an interest rate floor of 3.5%. The notes are collateralized by a security interest in all business assets of the Organization.

NOTE J - COMMITMENTS

The Organization leases offices and various office equipment under operating leases with various expiration dates ranging through May 2028. In addition, some of the leases contain provisions for the Organization to pay its proportionate share of real estate taxes and building operating costs. The amount charged to operations under all operating leases, which includes real estate taxes and utilities for the years ended June 30, 2019 and 2018, was approximately \$395,000 and \$132,000, respectively (See Note H).

Minimum future lease payments for the five years subsequent to June 30, 2019, and in the aggregate, are approximately as follows:

| Years Ending June 30, | |
|----------------------------------|---------------------|
| 2020 | \$ 281,000 |
| 2021 | 288,000 |
| 2022 | 295,000 |
| 2022 | 303,000 |
| 2023 | 287,000 |
| Thereafter | <u>1,185,000</u> |
| | <u>\$ 2,639,000</u> |

During the year ended June 30, 2018, the Organization transferred ownership of land to the borough of Munhall in exchange for forgiveness of approximately \$148,000 in various property taxes. As a result, the reversal of the accrued property taxes is shown as forgiveness of property taxes on the statement of activities for the year ended June 30, 2018.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE K - GIFTS-IN-KIND

The Organization receives donated gifts and services that are used for various fund-raising events. Gifts-in-kind also include the donated services mentioned in Note B. The gifts-in-kind are recorded as assets or expenses and as non-cash revenues depending on the gift received.

As of June 30, 2019 and 2018, management estimated the fair value to be \$46,983 and \$105,298, respectively.

NOTE L - PENSION PLAN

The National Organization operates a pension plan for the local organizations. Junior Achievement of Western Pennsylvania, Inc. pays a monthly contribution to the National Organization based upon the salaries of all full-time employees with a minimum of one year of service. Expenses charged to operations for the years ended June 30, 2019 and 2018, are approximately \$127,000 and \$128,000, respectively, and are included in the financial statements as a component of employee benefits. As of June 30, 2019, the National Organization terminated the pension plan.

NOTE M - CONCENTRATIONS

For the year ended June 30, 2019, three organizations accounted for approximately 29% of total accounts receivable. For the year ended June 30, 2018, one organization accounted for approximately 12% of the total accounts receivable.

For the years ended June 30, 2019 and 2018, the Organization received approximately 20% and 24%, respectively of its total revenue from one funding source.

NOTE N - RELATED PARTY

The Organization is required to pay a license fee to the National Organization between 2% and 10% of gross revenue (defined as gross revenue reduced by allowable costs and expenses for special events), in exchange for curriculum updates and assistance with local fundraising. The Organization has a ten-year operating agreement with the National Organization to use the JA USA Brand which expires in June 2026. For the years ended June 30, 2019 and 2018, the license fee was \$65,670 and \$59,281, respectively.

The Organization entered into a management agreement to manage the administrative, financial and operational activities of JA Empowerment LLC, a Special Purpose Entity (SPE). JA Empowerment LLC is a Pennsylvania limited liability company formed in June 2017 that has been organized as a SPE to participate in the Pennsylvania Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs. The SPE will earn tax credits from the state of Pennsylvania to be distributed to its members based on the SPE making charitable scholarship donations to Junior Achievement or other scholarship organizations approved by the state. As of June 30, 2019 and 2018, the SPE donated \$42,700 to the Organization each year.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE O - CAPITAL CAMPAIGN

The Organization has initiated a Capital Campaign in order to raise funds for the development and operation of an experiential learning environment. The learning environment is known as JA BizTown. This experiential learning environment program is part of the Organization's mission to inspire and prepare young people to succeed in a global economy. (See Notes F, P and R). During the year ended June 30, 2018, the Organization resumed the capital campaign and moved the location of its corporate office and also began renovating this space to deliver the JA BizTown program. JA is anticipating that this project will be completed in January 2020, which is when the first class is scheduled to begin.

NOTE P - NET ASSETS WITH RESTRICTIONS

The Organization has various contributions received during the year that have restrictions in place before the contribution can be used by the Organization. As of June 30, 2019 and 2018, the net assets with restrictions are comprised of:

| | 2019 | 2018 |
|-----------------------------|---------------------|---------------------|
| Purpose in nature | | |
| Capital campaign | \$ 2,222,236 | \$ 979,304 |
| Scholarships | 616,045 | 665,379 |
| Contributed use of building | 795,895 | 897,308 |
| | <u>3,634,176</u> | <u>2,541,991</u> |
| Perpetual in nature | <u>0</u> | <u>0</u> |
| | <u>\$ 3,634,176</u> | <u>\$ 2,541,991</u> |

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE Q - LIQUIDITY AND AVAILABILITY AND SUBSEQUENT EVENT

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Each month a financial package is prepared for the Finance Committee, which is a subcommittee consisting of Board of Director members, that compares support and revenue and expenses for the current period to year-to-date and prior year-to-date information along with comparisons to the annual budget. This review allows the Organization to determine immediate needs for cash on a monthly basis. Various sources of liquidity available include cash and cash equivalents, investments, accounts receivable, current pledge receivables, board designated funds, and a line of credit.

The following table represents the financial assets held by the Organization readily available within one year of the statements of financial position to meet general expenditures:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,685,166 | \$ 1,154,113 |
| Investments | 1,546,663 | 1,505,776 |
| Accounts receivable, net of allowance | 199,687 | 228,048 |
| Pledges receivable, current, net of allowance | 451,508 | 157,548 |
| Less: collateral on line of credit | <u>(715,000)</u> | <u>0</u> |
| | <u>\$ 3,168,024</u> | <u>\$ 3,045,485</u> |

The Organization maintains a line of credit, as further discussed in Note I. The balance available as of June 30, 2019 and 2018, was \$375,000 and \$500,000, respectively.

NOTE R - CONDITIONAL GRANT

During fiscal year 2019, a conditional grant of \$154,050 was awarded from the Redevelopment Authority of Allegheny County, Gaming Economic Development Fund, to purchase equipment for JA BizTown (See Note O). Since JA must first incur actual expenditures and then submit requests for reimbursement, this grant has not yet been recognized as income as of June 30, 2019. No expenses have been incurred or submitted for reimbursement as of June 30, 2019. This grant terminates on January 21, 2020, and management anticipates expending the funds in advance of this date.