

Junior Achievement of Southeast Texas, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2018 and 2017

Junior Achievement of Southeast Texas, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of June 30, 2018 and 2017	2
Statement of Activities for the year ended June 30, 2018	3
Statement of Activities for the year ended June 30, 2017	4
Statements of Functional Expenses for the years ended June 30, 2018 and 2017	5
Statements of Cash Flows for the years ended June 30, 2018 and 2017	6
Notes to Financial Statements for the years ended June 30, 2018 and 2017	7

Independent Auditors' Report

To the Board of Directors of
Junior Achievement of Southeast Texas, Inc.:

We have audited the accompanying financial statements of Junior Achievement of Southeast Texas, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities, of functional expenses, and of 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.

Auditors' 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 our audits 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 auditors' 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 Southeast Texas, Inc. as of June 30, 2018 and 2017 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.

Blazek & Vetterling

October 17, 2018

Junior Achievement of Southeast Texas, Inc.

Statements of Financial Position as of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 834,232	\$ 1,121,020
Special event receivables	198,979	183,180
Prepaid expenses and other assets	128,976	138,337
Pledges receivable	<u>141,428</u>	<u>172,300</u>
Total current assets	<u>1,303,615</u>	<u>1,614,837</u>
Long-term assets:		
Investments (Note 2)	8,112,274	8,434,382
Property and equipment, net (Note 3)	<u>2,020,844</u>	<u>2,067,315</u>
Total long-term assets	<u>10,133,118</u>	<u>10,501,697</u>
TOTAL ASSETS	<u>\$ 11,436,733</u>	<u>\$ 12,116,534</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 66,146	\$ 56,973
Accrued salaries and related benefits	301,875	316,328
Scholarships payable	44,000	107,000
Deferred special event revenue	<u>78,882</u>	<u>81,100</u>
Total current liabilities	<u>490,903</u>	<u>561,401</u>
Net assets:		
Unrestricted (Note 4)	8,779,127	9,282,114
Temporarily restricted (Note 5)	<u>2,166,703</u>	<u>2,273,019</u>
Total net assets	<u>10,945,830</u>	<u>11,555,133</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,436,733</u>	<u>\$ 12,116,534</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statement of Activities for the year ended June 30, 2018

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions, grants and class sponsorships:			
Corporate	\$ 1,398,117	\$ 54,317	\$ 1,452,434
Individual	401,310	10,000	411,310
Foundations	<u>100,979</u>	<u>10,000</u>	<u>110,979</u>
Total contributions, grants and class sponsorships	<u>1,900,406</u>	<u>74,317</u>	<u>1,974,723</u>
Special event revenue	2,788,392		2,788,392
Direct donor benefit costs	<u>(379,730)</u>		<u>(379,730)</u>
Special event revenue, net	<u>2,408,662</u>		<u>2,408,662</u>
Investment return, net <i>(Note 2)</i>	372,151		372,151
Class fees	331,813		331,813
In-kind contributions <i>(Note 6)</i>	<u>84,600</u>		<u>84,600</u>
Total revenue	5,097,632	74,317	5,171,949
Net assets released from restrictions:			
Time restriction expired	91,633	(91,633)	
Donor purpose restriction accomplished	<u>89,000</u>	<u>(89,000)</u>	
Total	<u>5,278,265</u>	<u>(106,316)</u>	<u>5,171,949</u>
EXPENSES:			
Education programs	4,634,180		4,634,180
Management and general	469,033		469,033
Fundraising	<u>678,039</u>		<u>678,039</u>
Total expenses	<u>5,781,252</u>		<u>5,781,252</u>
CHANGES IN NET ASSETS	(502,987)	(106,316)	(609,303)
Net assets, beginning of year	<u>9,282,114</u>	<u>2,273,019</u>	<u>11,555,133</u>
Net assets, end of year	<u>\$ 8,779,127</u>	<u>\$ 2,166,703</u>	<u>\$ 10,945,830</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statement of Activities for the year ended June 30, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions, grants and class sponsorships:			
Corporate	\$ 1,503,713	\$ 88,667	\$ 1,592,380
Individual	537,530	11,300	548,830
Foundations	<u>163,471</u>	<u> </u>	<u>163,471</u>
Total contributions, grants and class sponsorships	<u>2,204,714</u>	<u>99,967</u>	<u>2,304,681</u>
Special event revenue	2,834,787	5,000	2,839,787
Direct donor benefit costs	<u>(305,597)</u>	<u> </u>	<u>(305,597)</u>
Special event revenue, net	<u>2,529,190</u>	<u>5,000</u>	<u>2,534,190</u>
Investment return, net (Note 2)	708,736		708,736
Class fees	362,314		362,314
In-kind contributions (Note 6)	<u>61,800</u>	<u> </u>	<u>61,800</u>
Total revenue	5,866,754	104,967	5,971,721
Net assets released from restrictions:			
Time restriction expired	304,500	(304,500)	
Donor purpose restriction accomplished	<u>188,518</u>	<u>(188,518)</u>	<u> </u>
Total	<u>6,359,772</u>	<u>(388,051)</u>	<u>5,971,721</u>
EXPENSES:			
Education programs	4,733,772		4,733,772
Management and general	516,544		516,544
Fundraising	<u>750,986</u>	<u> </u>	<u>750,986</u>
Total expenses	<u>6,001,302</u>	<u> </u>	<u>6,001,302</u>
CHANGES IN NET ASSETS	358,470	(388,051)	(29,581)
Net assets, beginning of year	<u>8,923,644</u>	<u>2,661,070</u>	<u>11,584,714</u>
Net assets, end of year	<u>\$ 9,282,114</u>	<u>\$ 2,273,019</u>	<u>\$ 11,555,133</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statements of Functional Expenses for the years ended June 30, 2018 and 2017

	2018			
	EDUCATION PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 2,518,322	\$ 332,628	\$ 494,494	\$ 3,345,444
Program materials	1,141,345			1,141,345
Facilities	179,738	8,666	17,207	205,611
Technology and communication	121,207	9,163	17,959	148,329
Program supplies	140,415			140,415
National participation fee	115,062			115,062
Scholarships and awards	104,836			104,836
Depreciation	87,813	7,783	8,696	104,292
Travel	79,032	10,451	9,587	99,070
Insurance	91,661	1,807	2,757	96,225
Professional services		86,501		86,501
Bank and credit card fees			59,223	59,223
Special event supplies			56,772	56,772
Office supplies	30,945	6,648	5,527	43,120
Recruiting, training and other	23,804	5,386	5,817	35,007
Total expenses	<u>\$ 4,634,180</u>	<u>\$ 469,033</u>	<u>\$ 678,039</u>	5,781,252
Direct donor benefit costs				379,730
Custodial and investment management fees				<u>41,599</u>
Total				<u>\$ 6,202,581</u>

	2017			
	EDUCATION PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 2,451,212	\$ 386,909	\$ 537,713	\$ 3,375,834
Program materials	1,295,659			1,295,659
Facilities	179,750	7,271	23,905	210,926
Technology and communication	81,061	11,247	22,854	115,162
Program supplies	143,916			143,916
National participation fee	128,113			128,113
Scholarships and awards	179,345			179,345
Depreciation	83,557	6,781	7,557	97,895
Travel	63,936	11,370	7,597	82,903
Insurance	81,784	2,309	3,417	87,510
Professional services		80,350		80,350
Bank and credit card fees			56,373	56,373
Special event supplies			81,811	81,811
Office supplies	28,127	7,604	5,240	40,971
Recruiting, training and other	17,312	2,703	4,519	24,534
Total expenses	<u>\$ 4,733,772</u>	<u>\$ 516,544</u>	<u>\$ 750,986</u>	6,001,302
Direct donor benefit costs				305,597
Custodial and investment management fees				<u>32,221</u>
Total				<u>\$ 6,339,120</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statements of Cash Flows for the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (609,303)	\$ (29,581)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	104,292	97,895
Net realized and unrealized gain on investments	(149,644)	(441,675)
Donated equipment	(9,600)	
Changes in operating assets and liabilities:		
Special event receivables	(15,799)	37,905
Prepaid expenses and other assets	9,361	(56,593)
Pledges receivable	30,872	23,059
Accounts payable	9,173	(39,091)
Accrued salaries and related benefits	(14,453)	104,868
Scholarships payable	(63,000)	3,000
Deferred special event revenue	(2,218)	29,200
Net cash used by operating activities	<u>(710,319)</u>	<u>(271,013)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,515,912)	(9,120,858)
Proceeds from sales of investments	3,141,585	9,230,115
Net change in money market mutual funds and certificates of deposit	(153,921)	124,881
Purchases of property and equipment	<u>(48,221)</u>	<u>(7,255)</u>
Net cash provided by investing activities	<u>423,531</u>	<u>226,883</u>
NET CHANGE IN CASH	(286,788)	(44,130)
Cash, beginning of year	<u>1,121,020</u>	<u>1,165,150</u>
Cash, end of year	<u>\$ 834,232</u>	<u>\$ 1,121,020</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Notes to Financial Statements for the years ended June 30, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Junior Achievement of Southeast Texas, Inc. (JASET) is a non-profit organization operating under an agreement with Junior Achievement USA, Inc. (JAUSA). JASET is located in Houston, Texas with satellite offices in Beaumont, Texas, Bryan-College Station, Texas and Lake Charles, Louisiana.

Education programs – JASET shares and operates with JAUSA in the development, promotion, financing, supervision and administration of three education programs. These education programs provide youth with practical and realistic education and experience in the private enterprise economic system as follows:

- *High School* – High school programs offer students opportunities to learn about business, the global economy, saving and investing, careers and interpersonal skills. Students have the chance to form and run their own company, work with various online computer simulations, and hear about the world from positive adult role models.
- *Middle Grades* – Students in the middle grades receive lessons on the global marketplace, budgeting, choosing a career based on skills, and learning about economics through history. In addition, students are encouraged to continue their education past high school to be better prepared for the future. The JA Finance Park program develops students' personal money management skills, provides personal finance knowledge, and prepares them for the financial decisions and challenges of their adult lives. Further addressing workforce development, JASET, offers JA Inspire. This comprehensive program enables students to participate in an engaging career fair designed to assist students with aligning personal assessment data with skill and education requirements of local employers.
- *Elementary School* – Elementary school programs focus on students' future roles as citizens, workers and consumers and emphasize the usefulness of school skills in everyday life, as well as the importance of staying in school. The Capstone program for elementary school, JA Biztown, prepares students to run their own city with lessons taught in the classroom followed by a 5-hour visit to the JA Biztown facility where students participate in an economic simulation of a city day.

Federal income tax status – JAUSA is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a publicly supported organization, which is not a private foundation under §509(a)(1). JASET is under JAUSA's group exemption and is also exempt from federal income tax under §501(c)(3) of the Code.

Cash concentration – Bank balances exceed the federally insured limit per depositor per institution.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows using risk-free interest rates applicable to the years in which the promises are received. At June 30, 2018, all pledges receivable are expected to be collected within one year.

Investments in marketable securities are reported at fair value. Non-negotiable certificates of deposit are reported at face value plus accrued interest.

Property and equipment is reported at cost for purchased assets and at estimated fair value at the date of gift if donated. Depreciation is computed on a straight-line basis over estimated useful lives of 5 to 40 years. Items costing more than \$1,000 are capitalized.

Net asset classification – Contributions, investment return and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Contributions, grants and class sponsorships are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use or for future periods are classified as restricted support. However, contributions for which restrictions are met in the period of recognition are reported as unrestricted. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Special event revenue and class fees are recognized when the event occurs or the services are provided. Special event amounts received in advance are deferred until the event occurs.

In-kind contributions – Donated materials and use of facilities are recognized as unrestricted contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributed services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Scholarships are recognized as expense when an unconditional commitment is made to the scholarship recipient. Conditional commitments are recognized in the same manner when the conditions are substantially met. Scholarships payable are expected to be paid within one year and are recorded at face value. Amounts expected to be paid in future years are discounted, if material, to the present value of their estimated future cash flows.

Functional allocation of expenses – Expenses are summarized on a functional basis in the statements of activities and in the statements of functional expenses. Expenses that are not directly attributable to specific programs or support services have been allocated among functions based upon estimated usage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions*. New or enhanced

disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. JASET is required to adopt this ASU for fiscal year 2019. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments measured at fair value:				
Fixed-income mutual funds:				
Intermediate-term	\$ 2,612,577			\$ 2,612,577
Short-term	288,327			288,327
High-yield	272,405			272,405
International	150,946			150,946
Equity mutual funds:				
Large-cap	1,237,667			1,237,667
International	971,291			971,291
Mid-cap	95,852			95,852
Exchange-traded equity funds:				
Large-cap	626,386			626,386
Mid-cap	387,952			387,952
International	194,112			194,112
Small-cap	112,324			112,324
Emerging market	48,356			48,356
Inflation-protected exchange-traded bond fund	591,930			591,930
Money market mutual funds	496,308			496,308
Corporate bonds and notes	<u> </u>	\$ 3,785	<u> </u>	<u>3,785</u>
Total investments measured at fair value	<u>\$ 8,086,433</u>	<u>\$ 3,785</u>	<u>\$ 0</u>	8,090,218
Non-negotiable certificates of deposit				<u>22,056</u>
Total investments				<u>\$ 8,112,274</u>

Assets measured at fair value at June 30, 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments measured at fair value:				
Fixed-income mutual funds:				
Intermediate-term	\$ 2,995,912			\$ 2,995,912
High-yield	650,798			650,798
Equity mutual funds:				
Large-cap	1,263,650			1,263,650
International	910,285			910,285
Mid-cap	243,514			243,514
Small-cap	41,507			41,507
Exchange-traded equity funds:				
Large-cap	604,984			604,984
Mid-cap	263,028			263,028
International	597,128			597,128
Emerging market	46,191			46,191
Inflation-protected exchange-traded bond fund	447,595			447,595
Money market mutual funds	342,452			342,452
Corporate bonds and notes	<u> </u>	<u>\$ 5,347</u>	<u> </u>	<u>5,347</u>
Total investments measured at fair value	<u>\$ 8,407,044</u>	<u>\$ 5,347</u>	<u>\$ 0</u>	8,412,391
Non-negotiable certificates of deposit				<u>21,991</u>
Total investments				<u>\$ 8,434,382</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate bonds and notes* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas to calculate fair values.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while JASET believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least 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 the statement of financial position and statement of activities.

Investment return includes earnings on investments and interest-bearing cash and consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 264,106	\$ 299,282
Net realized gain on investments	184,040	338,600
Net unrealized gain (loss) on investments	(34,396)	103,075
Custodial and investment management fees	<u>(41,599)</u>	<u>(32,221)</u>
Investment return, net	<u>\$ 372,151</u>	<u>\$ 708,736</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 354,257	\$ 354,257
Buildings and improvements	3,274,842	3,274,842
Computers, office equipment and furniture	<u>603,327</u>	<u>560,640</u>
Total property and equipment, at cost	4,232,426	4,189,739
Accumulated depreciation	<u>(2,211,582)</u>	<u>(2,122,424)</u>
Property and equipment, net	<u>\$ 2,020,844</u>	<u>\$ 2,067,315</u>

NOTE 4 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 2,730,252	\$ 3,209,339
Board-designated reserve funds	<u>6,048,875</u>	<u>6,072,775</u>
Total unrestricted net assets	<u>\$ 8,779,127</u>	<u>\$ 9,282,114</u>

Changes in board-designated reserve funds are as follows:

Board-designated reserve funds, June 30, 2016	\$ 6,207,449
Investment earnings	708,736
Decrease in board-designated reserve funds	(513,349)
Appropriated for distribution:	
Operations	(267,061)
Bonuses	<u>(63,000)</u>
Board-designated reserve funds, June 30, 2017	6,072,775
Investment earnings	372,151
Decrease in board-designated reserve funds	(43,949)
Appropriated for distribution:	
Operations	(293,222)
Bonuses	<u>(58,880)</u>
Board-designated reserve funds, June 30, 2018	<u>\$ 6,048,875</u>

The Board of Directors of JASET has established a policy to maintain reserve funds equal to six months of annual operating costs, and additional amounts for facilities, scholarships and program innovation, which achieves operational standards established by JAUSA. Reserves have been released by the Board of Directors of JASET to provide working capital during times of economic or fiscal stress, upgrade technology and incentive management's achievement of financial performance goals.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Buildings	\$ 2,006,090	\$ 2,006,090
Time-restricted for future periods	87,151	114,967
Scholarships	<u>73,462</u>	<u>151,962</u>
Total temporarily restricted net assets	<u>\$ 2,166,703</u>	<u>\$ 2,273,019</u>

NOTE 6 – IN-KIND CONTRIBUTIONS

In-kind contributions and the related asset or expense were recognized as follows:

	<u>2018</u>	<u>2017</u>
Facilities	\$ 25,500	\$ 31,740
Travel	21,500	11,700
Professional fees reported in management and general	15,500	9,500
Computers and technology	10,500	
Education program supplies	5,820	6,965
Other	<u>5,780</u>	<u>1,895</u>
Total in-kind contributions	<u>\$ 84,600</u>	<u>\$ 61,800</u>

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles. During the year ended June 30, 2018, volunteers instructed 13,075 classes, delivering 1,983,619 instructional hours to 279,064 students. During the year ended June 30, 2017, volunteers instructed 14,831 classes, delivering 2,349,429 instructional hours to 328,964 students.

NOTE 7 – RELATED PARTY TRANSACTIONS

Multiemployer pension plan

JASET participates in the Retirement Plan for Employees of Junior Achievement USA, a noncontributory defined benefit pension plan (the Plan). The Plan is administered by JAUSA and covers all full-time employees of JASET, 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 JAUSA based on an annual actuarial valuation. JASET makes contributions equal to 16.75% of participants' eligible compensation. The Plan requires that participating employers who withdraw from the Plan remain liable for any previous funding obligations under the Plan. JASET 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 JASET.

The risks 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 JASET chooses to stop participating in the Plan, JASET would be required to pay the Plan an amount based on the underfunded status of the Plan referred to as a withdrawal liability.

The employer identification number for the Plan is 13-1635270 and the Plan number is PN 333. Pension expense for contributions to the Plan of \$320,000 in 2018 and \$317,000 in 2017 were recognized by JASET. There have been no significant changes that affect the comparability of 2018 and 2017 contributions. The Plan's funded status, as reported by JAUSA, is 92% and 79% as of June 30, 2018 and 2017, respectively.

On October 5, 2018, JAUSA's Pension Committee, the fiduciary for the Retirement Plan, passed a resolution to freeze the Plan effective June 30, 2019. JASET will continue to fund obligations under the Plan based on an annual actuarial valuation. At this time, JASET is investigating the future financial impact of JAUSA's decision to freeze the Plan, and has not determined what retirement vehicle, if any, will be put in place for the benefit of its employees subsequent to June 30, 2019.

Operating agreement

Under the terms of an operating agreement with JAUSA, JASET is required to pay a license fee equal to a percentage of contributions and receives services from JAUSA including providing program and materials development, sponsorship and management of benefit programs and technology systems to support development and human resources management. Under the terms of this agreement, JASET recognized national participation fee expense of approximately \$115,000 and \$128,000 for the years ended June 30, 2018 and 2017, respectively. In addition, JASET reimburses JAUSA for certain costs such as student liability insurance, employee insurance and pension, program materials, conferences and other miscellaneous items. Reimbursement to JAUSA for these items was approximately \$1,644,000 and \$1,887,000 during 2018 and 2017, respectively.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 17, 2018, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than the resolution to freeze the pension plan discussed in Note 7, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.