

Junior Achievement of Southeast Texas, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2019 and 2018

Junior Achievement of Southeast Texas, Inc.

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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, 2019 and 2018 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, 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Junior Achievement of Southeast Texas, Inc. adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended June 30, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

September 25, 2019

Junior Achievement of Southeast Texas, Inc.

Statements of Financial Position as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash	\$ 529,161	\$ 834,232
Contributions receivable	195,344	141,428
Special event receivables	329,257	198,979
Prepaid expenses and other assets	<u>174,016</u>	<u>128,976</u>
Total current assets	<u>1,227,778</u>	<u>1,303,615</u>
Long-term assets:		
Investments (Note 4)	7,853,572	8,112,274
Property and equipment, net (Note 5)	<u>2,058,470</u>	<u>2,020,844</u>
Total long-term assets	<u>9,912,042</u>	<u>10,133,118</u>
TOTAL ASSETS	<u>\$ 11,139,820</u>	<u>\$ 11,436,733</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 94,932	\$ 66,146
Accrued salaries and related benefits	154,388	301,875
Scholarships payable	115,500	44,000
Deferred special event revenue	<u>34,260</u>	<u>78,882</u>
Total current liabilities	<u>399,080</u>	<u>490,903</u>
Net assets:		
Without donor restrictions (Note 6)	8,597,493	8,779,127
With donor restrictions (Note 7)	<u>2,143,247</u>	<u>2,166,703</u>
Total net assets	<u>10,740,740</u>	<u>10,945,830</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,139,820</u>	<u>\$ 11,436,733</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statement of Activities for the year ended June 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions, grants and class sponsorships:			
Corporate	\$ 1,490,437	\$ 142,195	\$ 1,632,632
Individual	410,582	2,000	412,582
Foundations	<u>76,318</u>	<u> </u>	<u>76,318</u>
Total contributions, grants and class sponsorships	<u>1,977,337</u>	144,195	<u>2,121,532</u>
Special event revenue	3,011,113		3,011,113
Direct donor benefit costs	<u>(297,354)</u>		<u>(297,354)</u>
Special event revenue, net	<u>2,713,759</u>		<u>2,713,759</u>
Net investment return (Note 4)	363,699		363,699
Class fees	268,923		268,923
In-kind contributions (Note 8)	<u>40,118</u>	<u> </u>	<u>40,118</u>
Total revenue	5,363,836	144,195	5,508,031
Net assets released from restrictions:			
Time restriction expired	87,151	(87,151)	
Donor purpose restriction accomplished	<u>80,500</u>	<u>(80,500)</u>	<u> </u>
Total	<u>5,531,487</u>	<u>(23,456)</u>	<u>5,508,031</u>
EXPENSES:			
Education programs	4,456,035		4,456,035
Management and general	419,423		419,423
Fundraising	<u>837,663</u>		<u>837,663</u>
Total expenses	<u>5,713,121</u>		<u>5,713,121</u>
CHANGES IN NET ASSETS	(181,634)	(23,456)	(205,090)
Net assets, beginning of year	<u>8,779,127</u>	<u>2,166,703</u>	<u>10,945,830</u>
Net assets, end of year	<u>\$ 8,597,493</u>	<u>\$ 2,143,247</u>	<u>\$ 10,740,740</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statement of Activities for the year ended June 30, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
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>	74,317	<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>
Net investment return (Note 4)	372,151		372,151
Class fees	331,813		331,813
In-kind contributions (Note 8)	<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 (Note 2)	<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.

Statements of Functional Expenses for the years ended June 30, 2019 and 2018

	2019			
	EDUCATION PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 2,496,810	\$ 283,064	\$ 597,707	\$ 3,377,581
Program materials	990,461			990,461
Facilities	149,692	9,200	14,334	173,226
Program supplies	172,576			172,576
Technology and communication	129,072	8,023	16,460	153,555
Depreciation	96,667	12,760	14,258	123,685
National participation fee	123,659			123,659
Special event supplies			117,378	117,378
Insurance	108,243	1,395	3,043	112,681
Scholarships and awards	82,659			82,659
Travel	65,912	6,603	8,311	80,826
Professional services		78,773		78,773
Bank and credit card fees			60,448	60,448
Office supplies	22,166	11,731	4,553	38,450
Recruiting, training and other	18,118	7,874	1,171	27,163
Total expenses	<u>\$ 4,456,035</u>	<u>\$ 419,423</u>	<u>\$ 837,663</u>	5,713,121
Direct donor benefit costs				<u>297,354</u>
Total				<u>\$ 6,010,475</u>

	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
Program supplies	140,415			140,415
Technology and communication	121,207	9,163	17,959	148,329
Depreciation	87,813	7,783	8,696	104,292
National participation fee	115,062			115,062
Special event supplies			56,772	56,772
Insurance	91,661	1,807	2,757	96,225
Scholarships and awards	104,836			104,836
Travel	79,032	10,451	9,587	99,070
Professional services		86,501		86,501
Bank and credit card fees			59,223	59,223
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				<u>379,730</u>
Total				<u>\$ 6,160,982</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statements of Cash Flows for the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (205,090)	\$ (609,303)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	123,685	104,292
Net realized and unrealized gain on investments	(162,499)	(149,644)
Donated equipment		(9,600)
Changes in operating assets and liabilities:		
Special event receivables	(130,278)	(15,799)
Prepaid expenses and other assets	(45,040)	9,361
Contributions receivable	(53,916)	30,872
Accounts payable	88,786	9,173
Accrued salaries and related benefits	(147,487)	(14,453)
Scholarships payable	11,500	(63,000)
Deferred special event revenue	<u>(44,622)</u>	<u>(2,218)</u>
Net cash used by operating activities	<u>(564,961)</u>	<u>(710,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,014,478)	(2,515,912)
Proceeds from sales of investments	1,463,705	3,141,585
Net change in money market mutual funds and certificates of deposit	(28,026)	(153,921)
Purchases of property and equipment	<u>(161,311)</u>	<u>(48,221)</u>
Net cash provided by investing activities	<u>259,890</u>	<u>423,531</u>
NET CHANGE IN CASH	(305,071)	(286,788)
Cash, beginning of year	<u>834,232</u>	<u>1,121,020</u>
Cash, end of year	<u>\$ 529,161</u>	<u>\$ 834,232</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Notes to Financial Statements for the years ended June 30, 2019 and 2018

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.
- *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.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions 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, 2019, all contributions receivable are expected to be collected within one year.

Investments are reported at fair value. Non-negotiable certificates of deposit are reported at face value plus accrued interest. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of investment expenses.

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 – Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

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 reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Membership development activities include soliciting for prospective members and membership dues, membership relations, and similar activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended.

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.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

JASET adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2019 comprise the following:

Financial assets at June 30, 2019:

Cash	\$ 529,161
Contributions and special event receivables	524,601
Investments	<u>7,853,572</u>
Total financial assets	8,907,334
Less financial assets not expected to be available for general expenditure:	
Donor-restricted assets not expected to be satisfied	2,006,090
Board-designated reserve funds less planned appropriation for 2020	<u>6,030,675</u>
Total financial assets available for general expenditure	<u>\$ 870,569</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, JASET considers all expenditures related to its ongoing activities of inspiring and preparing young people to succeed in a global economy, as well as the conduct of services undertaken to support those activities, to be general expenditures. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

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.

While the Board of Directors does not intend to utilize these investments for general expenditures, they remain available to be spent at the Board of Directors' discretion.

NOTE 4 – 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, 2019 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 and exchange-traded funds:				
Domestic	\$ 3,706,727			\$ 3,706,727
International	307,347			307,347
Equity mutual funds and exchange-traded funds:				
Large-cap	1,469,600			1,469,600
International	912,169			912,169
Mid-cap	467,693			467,693
Emerging market	336,680			336,680
Small-cap	106,966			106,966
Money market mutual funds	<u>541,949</u>			<u>541,949</u>
Total investments measured at fair value	<u>\$ 7,849,131</u>	<u>\$ 0</u>	<u>\$ 0</u>	7,849,131
Non-negotiable certificates of deposit				<u>4,441</u>
Total investments				<u>\$ 7,853,572</u>

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 and exchange-traded funds:				
Domestic	\$ 3,765,239			\$ 3,765,239
International	150,946			150,946
Equity mutual funds and exchange-traded funds:				
Large-cap	1,864,053			1,864,053
International	998,283			998,283
Mid-cap	483,804			483,804
Emerging market	215,476			215,476
Small-cap	112,324			112,324
Money market mutual funds	496,308			496,308
Corporate bonds and notes		<u>\$ 3,785</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>

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>2019</u>	<u>2018</u>
Interest and dividends	\$ 238,917	\$ 264,106
Net realized gain on investments	45,501	184,040
Net unrealized gain (loss) on investments	116,998	(34,396)
Custodial and investment management fees	<u>(37,717)</u>	<u>(41,599)</u>
Investment return, net	<u>\$ 363,699</u>	<u>\$ 372,151</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 354,257	\$ 354,257
Buildings and improvements	3,274,842	3,274,842
Computers, office equipment and furniture	<u>719,648</u>	<u>603,327</u>
Total property and equipment, at cost	4,348,747	4,232,426
Accumulated depreciation	<u>(2,290,277)</u>	<u>(2,211,582)</u>
Property and equipment, net	<u>\$ 2,058,470</u>	<u>\$ 2,020,844</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 2,529,818	\$ 2,730,252
Board-designated reserve funds	<u>6,067,675</u>	<u>6,048,875</u>
Total net assets without donor restrictions	<u>\$ 8,597,493</u>	<u>\$ 8,779,127</u>

Changes in board-designated reserve funds are as follows:

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	6,048,875
Investment earnings	363,699
Increase in board-designated reserve funds	263,736
Appropriated for distribution:	
Operations	(533,635)
Bonuses	<u>(75,000)</u>
Board-designated reserve funds, June 30, 2019	<u>\$ 6,067,675</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 2,006,090	\$ 2,006,090
Time-restricted for future periods	134,195	87,151
Scholarships	<u>2,962</u>	<u>73,462</u>
Total net assets with donor restrictions	<u>\$ 2,143,247</u>	<u>\$ 2,166,703</u>

NOTE 8 – IN-KIND CONTRIBUTIONS

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

	<u>2019</u>	<u>2018</u>
Facilities	\$ 19,500	\$ 25,500
Travel	5,400	21,500
Professional fees reported in management and general	5,000	15,500
Education program supplies	4,345	5,820
Computers and technology	612	10,500
Other	<u>5,261</u>	<u>5,780</u>
Total in-kind contributions	<u>\$ 40,118</u>	<u>\$ 84,600</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, 2019, volunteers instructed 12,268 classes, delivering 1,770,436 instructional hours to 264,986 students. During the year ended June 30, 2018, volunteers instructed 13,075 classes, delivering 1,983,619 instructional hours to 279,064 students.

NOTE 9 – TRANSACTIONS WITH JAUSA

Multiemployer pension plan – terminated effective June 30, 2019

Prior to June 30, 2019, JASET offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by JAUSA and covered all full-time employees of JASET, JA Worldwide, Inc. and participating Junior Achievement Areas in the United States. The Plan is accounted for like a multi-employer plan. Benefits were determined based on years of service and salary history. The Plan's assets are invested in various investment funds.

Prior to June 30, 2019, the respective participants' employers were required to fund the Plan, as determined by JAUSA's Board of Directors, based on an annual actuarial valuation. Prior to June 30, 2019, JASET made contributions equal to 16.75% of plan participants' eligible compensation. 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.

Effective June 30, 2019, the Board of Directors of JAUSA approved termination of the Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan shall liquidate and distribute each participant's accrued benefits as soon as administratively practicable. The Plan requires that participating employers (including JASET) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied, and are thereby required to make contributions equal to 13.25% of participants' eligible compensation.

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 \$304,000 in 2019 and \$320,000 in 2018 were recognized by JASET. There have been no significant changes that affect the comparability of 2019 and 2018 contributions. The Plan's funded status, as reported by JAUSA, is 108% and 92% as of June 30, 2019 and 2018, respectively.

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 \$124,000 and \$115,000 for the years ended June 30, 2019 and 2018, 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 \$1,864,000 and \$1,644,000 during 2019 and 2018, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
