

Junior Achievement of Southeast Texas, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2020 and 2019

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, 2020 and 2019 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.

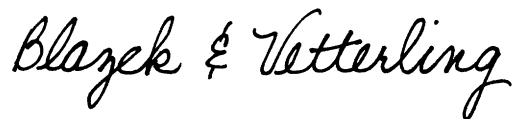
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2020 and 2019 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.



December 7, 2020

Junior Achievement of Southeast Texas, Inc.

Statements of Financial Position as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 1,001,733	\$ 529,161
Contributions receivable	225,792	195,344
Special event receivables	97,192	329,257
Prepaid expenses and other assets	<u>85,125</u>	<u>174,016</u>
Total current assets	<u>1,409,842</u>	<u>1,227,778</u>
Long-term assets:		
Investments (Note 4)	7,434,972	7,853,572
Property and equipment, net (Note 5)	<u>1,974,748</u>	<u>2,058,470</u>
Total long-term assets	<u>9,409,720</u>	<u>9,912,042</u>
TOTAL ASSETS	<u>\$ 10,819,562</u>	<u>\$ 11,139,820</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 72,713	\$ 94,932
Accrued salaries and related benefits	295,274	154,388
Scholarships payable	78,500	115,500
Deferred special event revenue	640,880	34,260
Advanced contributions	25,000	
Paycheck Protection Program refundable advance (Note 3)	<u>626,747</u>	
Total current liabilities	<u>1,739,114</u>	<u>399,080</u>
Net assets:		
Without donor restrictions (Note 6)	6,676,850	8,597,493
With donor restrictions (Note 7)	<u>2,403,598</u>	<u>2,143,247</u>
Total net assets	<u>9,080,448</u>	<u>10,740,740</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,819,562</u>	<u>\$ 11,139,820</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions, grants and class sponsorships:			
Corporate	\$ 1,616,623	\$ 189,000	\$ 1,805,623
Individual	468,462	5,000	473,462
Foundations	<u>69,364</u>	<u>260,000</u>	<u>329,364</u>
Total contributions, grants and class sponsorships	<u>2,154,449</u>	454,000	<u>2,608,449</u>
Special event revenue	657,503		657,503
Direct donor benefit costs	<u>(91,555)</u>		<u>(91,555)</u>
Special event revenue, net	<u>565,948</u>		<u>565,948</u>
Net investment return (Note 4)	305,986		305,986
Class fees	219,721		219,721
In-kind contributions (Note 8)	<u>73,406</u>		<u>73,406</u>
Total revenue	3,319,510	454,000	3,773,510
Net assets released from restrictions:			
Time restriction expired	134,195	(134,195)	
Donor purpose restriction accomplished	<u>59,454</u>	<u>(59,454)</u>	
Total	<u>3,513,159</u>	<u>260,351</u>	<u>3,773,510</u>
EXPENSES:			
Education programs	4,316,621		4,316,621
Management and general	410,942		410,942
Fundraising	<u>706,239</u>		<u>706,239</u>
Total expenses	<u>5,433,802</u>		<u>5,433,802</u>
CHANGES IN NET ASSETS	(1,920,643)	260,351	(1,660,292)
Net assets, beginning of year	<u>8,597,493</u>	<u>2,143,247</u>	<u>10,740,740</u>
Net assets, end of year	<u>\$ 6,676,850</u>	<u>\$ 2,403,598</u>	<u>\$ 9,080,448</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	4,423,789		4,423,789
Management and general	490,006		490,006
Fundraising	<u>799,326</u>	<u> </u>	<u>799,326</u>
Total expenses	<u>5,713,121</u>	<u> </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.

Statements of Functional Expenses for the years ended June 30, 2020 and 2019

	2020			
	EDUCATION PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 2,556,513	\$ 250,947	\$ 549,513	\$ 3,356,973
Program materials	993,053			993,053
Facilities	142,197	3,419	12,906	158,522
Technology and communication	114,119	10,227	23,975	148,321
Depreciation	111,117	12,838	14,344	138,299
Professional services	36,174	76,371	7,890	120,435
National participation fee	89,656	8,702	19,370	117,728
Insurance	96,850	1,545	3,439	101,834
Scholarships and awards	80,162			80,162
Special event supplies			67,870	67,870
Travel	31,523	6,560	2,487	40,570
Program supplies	33,979			33,979
Bank and credit card fees		31,033		31,033
Office supplies	17,394	5,473	3,585	26,452
Recruiting, training and other	13,884	3,827	860	18,571
Total expenses	<u>\$ 4,316,621</u>	<u>\$ 410,942</u>	<u>\$ 706,239</u>	5,433,802
Direct donor benefit costs				<u>91,555</u>
Total				<u>\$ 5,525,357</u>

	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
Technology and communication	129,072	8,023	16,460	153,555
Depreciation	96,667	12,760	14,258	123,685
Professional services		78,773		78,773
National participation fee	91,413	10,135	22,111	123,659
Insurance	108,243	1,395	3,043	112,681
Scholarships and awards	82,659			82,659
Special event supplies			117,378	117,378
Travel	65,912	6,603	8,311	80,826
Program supplies	172,576			172,576
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>\$ 4,423,789</u>	<u>\$ 490,006</u>	<u>\$ 799,326</u>	5,713,121
Direct donor benefit costs				<u>297,354</u>
Total				<u>\$ 6,010,475</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Statements of Cash Flows for the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (1,660,292)	\$ (205,090)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	138,299	123,685
Net realized and unrealized gain on investments	(124,574)	(162,499)
Changes in operating assets and liabilities:		
Contributions receivable	(30,448)	(53,916)
Special event receivables	232,065	(130,278)
Prepaid expenses and other assets	88,891	(45,040)
Accounts payable	(22,219)	88,786
Accrued salaries and related benefits	140,886	(147,487)
Scholarships payable	(37,000)	11,500
Deferred special event revenue	606,620	(44,622)
Advanced contributions	25,000	
Paycheck Protection Program refundable advance	<u>626,747</u>	
Net cash used by operating activities	<u>(16,025)</u>	<u>(564,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,289,387)	(1,014,478)
Proceeds from sales of investments	2,762,872	1,463,705
Net change in money market mutual funds and certificates of deposit	69,689	(28,026)
Purchases of property and equipment	<u>(54,577)</u>	<u>(161,311)</u>
Net cash provided by investing activities	<u>488,597</u>	<u>259,890</u>
NET CHANGE IN CASH	472,572	(305,071)
Cash, beginning of year	<u>529,161</u>	<u>834,232</u>
Cash, end of year	<u>\$ 1,001,733</u>	<u>\$ 529,161</u>

See accompanying notes to financial statements.

Junior Achievement of Southeast Texas, Inc.

Notes to Financial Statements for the years ended June 30, 2020 and 2019

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. 3DE by Junior Achievement is an innovative instructional model that utilizes competency-based case methods to drive student engagement and academic performance to expand economic opportunity for all students.
- *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, 2020, 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 are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before JASET is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as advanced contributions. JASET has received conditional contributions of approximately \$275,000 at June 30, 2020, that are conditioned upon the donors approving case challenges within the 3DE instructional model. At June 30, 2020, JASET has received advanced payments of \$25,000.

Special event revenue includes elements of both contributions and exchange transactions and is recognized when an event occurs. Cost of direct donor benefits provided represents the costs of goods and services provided to event attendees. Amounts received in advance are reported as deferred revenue.

Class fees are derived from providing simulated learning programs aimed at improving the financial literacy of middle and high school students and are recognized at a point in time when the goods or services are provided. All performance obligations related to class fees are satisfied within the academic year which is contained within the fiscal year. Class fees are due when the goods and services are provided. There are no contract assets or liabilities resulting from class fees at June 30, 2020, 2019, or 2018.

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.

Functional allocation of expenses – Expenses are reported by their functional classification. 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. Expenses that are attributable to more than one activity are allocated among the activities benefitted on the basis of estimated employee time and effort expended on each activity.

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 NEW ACCOUNTING STANDARDS

Effective July 1, 2019, JASET adopted Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied, and revenue is recognized. Simultaneously, JASET adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies the distinction between contributions and exchange transactions and between conditional and unconditional contributions. These ASU's have been applied on a retrospective basis to the financial statements for the year ended June 30, 2019. Because the timing and amount of revenue recognized previously is not different from revenue recognized under the new guidance, adoption of these standards had no impact on the 2019 financial statements.

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 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 1,001,733	\$ 529,161
Contributions and special event receivables	322,984	524,601
Investments	<u>7,434,972</u>	<u>7,853,572</u>
Total financial assets	8,759,689	8,907,334
Less financial assets not available for general expenditure:		
Donor-restricted assets not expected to be satisfied	1,977,598	2,006,090
Board-designated reserve funds less planned appropriation	<u>5,966,150</u>	<u>6,030,675</u>
Total financial assets available for general expenditure	<u>\$ 815,941</u>	<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 incent 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.

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. While JASET has converted some programming to a virtual delivery method, business disruption caused by the pandemic is expected to reduce revenue in fiscal year 2021. Special events scheduled to occur in Spring 2020 were cancelled or rescheduled resulting in significant decreases in and deferrals of related revenue.

The extent of the impact of COVID-19 on JASET’s future operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on partnering schools, as well as donors, employees, and volunteers, all of which are uncertain and cannot be predicted. While JASET expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

JASET has striven to maintain its employees in spite of COVID-19 closures. In April 2020, JASET received financial relief of approximately \$627,000 from the Paycheck Protection Program (PPP) loan. Some or all of the PPP loan may be forgiven if JASET meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. Any amounts not forgiven bear interest at 1.0% and are due within 2 years.

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, 2020 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	\$ 3,552,092			\$ 3,552,092
International	309,496			309,496
Equity mutual funds and exchange-traded funds:				
Large-cap	1,609,806			1,609,806
International	793,657			793,657
Emerging market	480,793			480,793
Mid-cap	212,427			212,427
Money market mutual funds	<u>472,260</u>			<u>472,260</u>
Total investments measured at fair value	<u>\$ 7,430,531</u>	<u>\$ 0</u>	<u>\$ 0</u>	7,430,531
Non-negotiable certificates of deposit				<u>4,441</u>
Total investments				<u>\$ 7,434,972</u>

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
Emerging market	336,680			336,680
Mid-cap	467,693			467,693
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>

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.

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>2020</u>	<u>2019</u>
Interest and dividends	\$ 219,290	\$ 238,917
Net realized gain on investments	71,819	45,501
Net unrealized gain on investments	52,755	116,998
Custodial and investment management fees	<u>(37,878)</u>	<u>(37,717)</u>
Net investment return	<u>\$ 305,986</u>	<u>\$ 363,699</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 354,257	\$ 354,257
Buildings and improvements	3,287,283	3,274,842
Computers, office equipment and furniture	<u>737,975</u>	<u>719,648</u>
Total property and equipment, at cost	4,379,515	4,348,747
Accumulated depreciation	<u>(2,404,767)</u>	<u>(2,290,277)</u>
Property and equipment, net	<u>\$ 1,974,748</u>	<u>\$ 2,058,470</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 710,700	\$ 2,529,818
Board-designated reserve funds	<u>5,966,150</u>	<u>6,067,675</u>
Total net assets without donor restrictions	<u>\$ 6,676,850</u>	<u>\$ 8,597,493</u>

Changes in board-designated reserve funds are as follows:

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	6,067,675
Investment earnings	305,986
Decrease in board-designated reserve funds	(101,525)
Appropriated for distribution:	
Operations	(260,448)
Scholarships	<u>(45,538)</u>
Board-designated reserve funds, June 30, 2020	<u>\$ 5,966,150</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 1,977,598	\$ 2,006,090
3DE instructional model	250,000	
Time-restricted for future periods	176,000	134,195
Scholarships	<u> </u>	<u>2,962</u>
Total net assets with donor restrictions	<u>\$ 2,403,598</u>	<u>\$ 2,143,247</u>

NOTE 8 – IN-KIND CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Professional services	\$ 47,500	\$ 5,000
Facilities	16,000	19,500
Education program supplies	8,345	4,345
Travel		5,400
Computers and technology		612
Other	<u>1,561</u>	<u>5,261</u>
Total in-kind contributions	<u>\$ 73,406</u>	<u>\$ 40,118</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 recognized 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, 2020, volunteers instructed 7,787 classes, delivering 1,047,878 instructional hours to 169,844 students before COVID-19 resulted in program cancellations. During the year ended June 30, 2019, volunteers instructed 12,268 classes, delivering 1,770,436 instructional hours to 264,986 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 was 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 was accounted for like a multi-employer plan. Benefits were determined based on years of service and salary history and participants' employers were required to fund the Plan, as determined by JAUSA's Board of Directors, based on an annual actuarial valuation. JASET recognized the required contribution for the period as net pension cost and any contributions due and unpaid as a liability.

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 required that participating employers (including JASET) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan had been satisfied. During 2020, the Plan liquidated and distributed benefit payments accordingly. As of June 30, 2020, substantially all benefit obligations of the Plan had either been paid or transferred.

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. JASET 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 \$118,000 and \$124,000 for the years ended June 30, 2020 and 2019, respectively.

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 \$243,000 and \$1,864,000 during 2020 and 2019, respectively.

NOTE 10 – EMPLOYEE BENEFIT PLAN

JASET has a defined contribution 401(k) plan for the benefit of all employees. JASET matches employee contributions up to 3.5% of compensation. Employer matching contributions were \$312,000 in 2020 and \$304,000 in 2019.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, other than the on-going uncertainty caused by COVID-19, 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.
