

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

AUDITED FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Junior Achievement of Western Pennsylvania, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Western Pennsylvania, Inc. as of June 30, 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.

McClintock & Associates, P.C.

Pittsburgh, Pennsylvania
November 19, 2020

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,011,742	\$ 1,685,166
Investments	1,544,422	1,546,663
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$7,500, respectively	131,992	199,687
Current portion of pledges receivable, net	463,084	451,508
Prepaid expenses	16,887	9,960
TOTAL CURRENT ASSETS	3,168,127	3,892,984
PLEDGES RECEIVABLE, net	775,945	941,767
CONTRIBUTED USE OF BUILDING, net of unamortized discount of \$128,510 and \$133,173, respectively	697,328	795,895
PROPERTY AND EQUIPMENT, net	1,665,953	274,425
SECURITY DEPOSIT	19,420	19,420
TOTAL ASSETS	\$ 6,326,773	\$ 5,924,491
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 62,092	\$ 506,237
Accrued expenses	52,796	30,997
Accrued scholarships	678,064	616,045
Deferred revenue	302,235	31,133
Line of credit	0	125,000
Note payable	1,100,000	0
TOTAL CURRENT LIABILITIES	2,195,187	1,309,412
DEFERRED RENT	173,511	160,865
NET ASSETS		
Without donor restrictions	1,397,033	820,038
With donor restrictions	2,561,042	3,634,176
TOTAL NET ASSETS	3,958,075	4,454,214
TOTAL LIABILITIES AND NET ASSETS	\$ 6,326,773	\$ 5,924,491

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
CONTRIBUTIONS			
Corporate	\$ 719,634	\$ 916,581	\$ 1,636,215
Individual	139,928	0	139,928
Foundations	254,453	0	254,453
TOTAL CONTRIBUTIONS	1,114,015	916,581	2,030,596
SPECIAL EVENTS			
Gross revenues	546,577	0	546,577
Event expenses	(198,290)	0	(198,290)
NET SPECIAL EVENTS	348,287	0	348,287
Governmental revenue	432,355	0	432,355
Other income	55,356	0	55,356
In-kind contributions	88,040	0	88,040
Unrealized gain on investments	43,921	0	43,921
Realized loss on investments	(88,718)	0	(88,718)
Investment income	56,239	0	56,239
Net assets released from restriction	1,889,715	(1,889,715)	0
TOTAL SUPPORT AND REVENUE	3,939,210	(973,134)	2,966,076
EXPENSES			
Salaries and related taxes	1,240,350	0	1,240,350
Employee benefits	213,813	0	213,813
Program materials	126,616	0	126,616
Scholarship expense	581,479	0	581,479
Legal and professional fees	110,385	0	110,385
Rent and occupancy	397,259	0	397,259
Office expense	72,692	0	72,692
License fee	215,306	0	215,306
Public relations	54,931	0	54,931
Miscellaneous expense	73,960	0	73,960
Travel	43,242	0	43,242
Communications	45,856	0	45,856
Depreciation and amortization	128,292	0	128,292
Fundraising	11,858	0	11,858
Interest	23,390	0	23,390
Bad debt expense	22,786	100,000	122,786
TOTAL EXPENSES	3,362,215	100,000	3,462,215
CHANGE IN NET ASSETS	576,995	(1,073,134)	(496,139)
NET ASSETS AT BEGINNING OF YEAR	820,038	3,634,176	4,454,214
NET ASSETS AT END OF YEAR	\$ 1,397,033	\$ 2,561,042	\$ 3,958,075

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF ACTIVITIES

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

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020				
	Program	Management and General	Fundraising	Totals
Salaries and related taxes	\$ 844,802	\$ 125,772	\$ 269,776	\$ 1,240,350
Employee benefits	145,628	21,681	46,504	213,813
Program materials	126,616	0	0	126,616
Travel	31,402	2,089	9,751	43,242
Office expense	53,792	7,996	10,904	72,692
Rent and occupancy	317,807	39,726	39,726	397,259
License Fee	215,306	0	0	215,306
Communications	34,392	4,586	6,878	45,856
Public relations	46,691	0	8,240	54,931
Fundraising	0	0	11,858	11,858
Scholarship expense	581,479	0	0	581,479
Depreciation and amortization	109,048	19,244	0	128,292
Legal and professional fees	75,183	11,193	24,009	110,385
Miscellaneous expense	42,322	6,046	12,092	60,460
Investment expense	0	13,500	0	13,500
Interest expense	0	23,390	0	23,390
Bad Debt	0	122,786	0	122,786
Totals	\$ 2,624,468	\$ 398,009	\$ 439,738	\$ 3,462,215

Year Ended June 30, 2019				
	Program	Management and General	Fundraising	Totals
Salaries and related taxes	\$ 781,622	\$ 116,366	\$ 249,600	\$ 1,147,588
Employee benefits	142,348	21,192	45,457	208,997
Program materials	338,144	0	0	338,144
Capital campaign	96,552	0	0	96,552
Travel	35,883	2,387	11,142	49,412
Office expense	54,871	8,156	11,122	74,149
Rent and occupancy	284,737	35,592	35,592	355,921
License Fee	65,670	0	0	65,670
Communications	29,980	3,997	5,997	39,974
Public relations	53,681	0	9,473	63,154
Fundraising	0	0	22,875	22,875
Scholarship expense	494,500	0	0	494,500
Depreciation and amortization	8,525	1,504	0	10,029
Legal and professional fees	80,083	11,923	25,573	117,579
Miscellaneous expense	40,623	5,803	11,607	58,033
Investment expense	0	12,805	0	12,805
Interest expense	0	7,255	0	7,255
Bad Debt	0	75,466	0	75,466
Totals	\$ 2,507,219	\$ 302,446	\$ 428,438	\$ 3,238,103

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (496,139)	\$ 956,700
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	122,786	75,466
Depreciation and amortization	128,292	10,029
Contributed use of building	103,230	103,230
Amortized discount on contributed use of building	(4,663)	(1,817)
Discount on pledges receivable	(72,800)	89,900
Unrealized (gain) loss on investments	(43,921)	18,949
Realized loss on investments	88,718	2,003
Deferred rent	12,646	145,225
Decrease (increase) in:		
Accounts receivable	44,909	6,895
Pledges receivable	127,046	(1,121,035)
Prepaid expenses	(6,927)	(5,733)
Increase (decrease) in:		
Accounts payable	(444,145)	226,927
Accrued expenses	21,799	18,109
Accrued scholarships	62,019	(49,334)
Deferred revenue	271,102	1,198
Total net operating adjustment	410,091	(479,988)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(86,048)	476,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,519,820)	(8,820)
Purchase of investments	(483,984)	(131,707)
Proceeds from sale of investments	441,428	69,868
NET CASH USED IN INVESTING ACTIVITIES	(1,562,376)	(70,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	125,000	250,000
Payments on line of credit	(250,000)	(125,000)
Proceeds from note payable	1,100,000	0
NET CASH PROVIDED BY FINANCING ACTIVITIES	975,000	125,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(673,424)	531,053
Cash and cash equivalents at beginning of year	1,685,166	1,154,113
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,011,742	\$ 1,685,166
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 23,390	\$ 7,255
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY:		
Accounts payable for construction in progress	\$ 0	\$ 212,025

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS

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

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

Management of the Organization has evaluated subsequent events through November 19, 2020, the date the financial statements were available to be issued and, except for the disclosure in Note J, has no material subsequent events to report.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

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

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

Cash and Cash Equivalents

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

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Accounts Receivable

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

Pledges Receivable and Allowance for Uncollectible Pledges

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

Property and Equipment

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

Donated Assets

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

Donated Services

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

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

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

Deferred Rent

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

Grant Revenue

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

Government Assistance

The Organization received funds under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Paycheck Protection Program Loan (PPP) (Note U) that is eligible for forgiveness pursuant to the CARES Act. If certain criteria are met, the PPP may be partially or fully forgiven. In order to qualify for forgiveness, the PPP requires at least 60% of the loan proceeds to be used to cover payroll costs and remainder to be used for mortgage interest, rent and utility costs over an 8 or 24-week period after the loan is made. The Organization accounts for the loan under ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*, as it expects to meet the criteria for the loan to be fully forgiven.

Functional Allocation of Expenses

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

Special Events

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

Income Taxes

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

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

The Organization adopted FASB ASU No. 2018-08, Not-for-Profit Entities (ASC Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The ASU provides guidance clarifying the accounting for makers and recipients of contributions or grants. The standard requires an organization to determine whether a transaction is considered to be an exchange (reciprocal transaction) or nonexchange (nonreciprocal transaction). For nonexchange transactions, the contribution guidance in ASC 958 is typically applied, whereas for exchange transactions, an organization should apply ASC 606 or other appropriate guidance. There is no material impact on the Organization's result of operations or financial condition upon adoption of the new standard during the year.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU supersedes existing guidance on accounting for leases in Accounting Standards Codification Topic 840, *Leases*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This ASU will be effective for the Organization's year ended June 30, 2023. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organization is currently in the process of assessing the impact of the adoption of this standard on its financial statements.

NOTE C - CONCENTRATION OF CREDIT RISK

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

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

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE D - INVESTMENTS

Investments at June 30 are comprised of:

	<u>2020</u>		<u>2019</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Mutual funds - equity	\$ 818,339	\$ 672,512	\$ 842,779	\$ 729,621
Mutual funds - bonds	<u>726,083</u>	<u>695,317</u>	<u>703,884</u>	<u>687,299</u>
	<u>\$ 1,544,422</u>	<u>\$ 1,367,829</u>	<u>\$ 1,546,663</u>	<u>\$ 1,416,920</u>

Unrealized (gains)/losses for the years ended June 30, 2020 and 2019, were (\$43,921) and \$18,949, respectively. Realized losses for the years ended June 30, 2020 and 2019, were \$88,718 and \$2,003, respectively. Investment income for the years ended June 30, 2020 and 2019, was \$56,239 and \$78,352, respectively. Investment expenses for the years ended June 30, 2020 and 2019, were \$13,500 and \$12,805, respectively. Approximately \$61,000 and \$64,300 of money market funds included in the investment brokerage account at June 30, 2020 and 2019, respectively, is included in cash and cash equivalents on the statements of financial position.

The Organization must maintain a minimum of \$715,000 in the Charles Schwab brokerage account as collateral on the line of credit and loan payable (See Notes I and J). As of June 30, 2020 and 2019, the balance outstanding was \$0 and \$125,000, respectively.

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

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENT

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

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

Level 2 - Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

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

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

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

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

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

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

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

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall as of June 30, 2020 and 2019.

	June 30, 2020		
	Level 1	Level 2	Level 3
Mutual Funds	<u>\$ 1,544,422</u>	<u>\$ 0</u>	<u>\$ 0</u>
Pledges Receivable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,239,029</u>

	June 30, 2019		
	Level 1	Level 2	Level 3
Mutual Funds	<u>\$ 1,546,663</u>	<u>\$ 0</u>	<u>\$ 0</u>
Pledges Receivable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,393,275</u>

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

	2020	2019
Beginning balance	<u>\$ 1,393,275</u>	<u>\$ 1,313,448</u>
Purchases, sales, issuances, and settlements,	<u>(154,246)</u>	<u>977,135</u>
Transfers in and/or out of Level 3	<u>0</u>	<u>(897,308)</u>
Ending balance	<u>\$ 1,239,029</u>	<u>\$ 1,393,275</u>

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE F - PLEDGES RECEIVABLE

Pledges receivable for the capital campaign (Note Q) as of June 30, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 1,456,129	\$ 1,583,175
Less unamortized discount	<u>(17,100)</u>	<u>(89,900)</u>
Subtotal	1,439,029	1,493,275
Less allowance for uncollectibl	<u>(200,000)</u>	<u>(100,000)</u>
Pledges receivable, net	<u>\$ 1,239,029</u>	<u>\$ 1,393,275</u>
Net amounts due in:		
Less than one year	\$ 463,084	\$ 451,508
One to five years	680,570	776,967
More than five years	<u>95,375</u>	<u>164,800</u>
	<u>\$ 1,239,029</u>	<u>\$ 1,393,275</u>

Of these receivables, \$320,000, net of allowance for uncollectible pledges, was due from three donors. Management has estimated an allowance for uncollectible pledges of \$200,000 and \$100,000, for the years ended June 30, 2020 and 2019, respectively (See Notes Q and R).

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 is summarized as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 1,616,758	\$ 47,618
Computer equipment	183,101	26,496
Furniture and fixtures	<u>34,355</u>	<u>28,253</u>
	1,834,214	102,367
Less accumulated depreciation and amortization	<u>(168,261)</u>	<u>(39,967)</u>
	1,665,953	62,400
Construction in progress	<u>0</u>	<u>212,025</u>
Total	<u>\$ 1,665,953</u>	<u>\$ 274,425</u>

Depreciation and amortization charged to operations for the years ended June 30, 2020 and 2019, was \$128,292 and \$10,029, respectively.

By June 30, 2019, JA entered into several agreements for approximately \$1,243,000 for the construction of BizTown (Note P), which were expected to be completed by January 2020. As of June 30, 2020 and 2019, JA had incurred approximately \$1,360,000 and \$210,000, respectively of construction costs under these agreements.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE H - CONTRIBUTED USE OF BUILDING

On June 1, 2018, the Organization entered into an operating lease agreement that included payment terms which were below the estimated fair market value rates for the rental space. It was the intention of the lessor to donate the office space to the Organization by granting rent concessions over the ten-year lease period. The Organization calculated the difference between the estimated fair value of the rental space and the actual rent to be paid over the term of the lease and determined that the rent concessions were approximately \$1,032,000. In accordance with ASC 958-605-30, the Organization recognized the contributed asset and restricted revenue as of the date noted above based on the estimated fair value of the rent concessions. The estimated fair value of the contribution was determined based on the present value of future cash flows using the Federal Treasury discounted rate over the lease term. The unamortized discount for the years ended June 30, 2020 and 2019 was of \$128,510 and \$133,173, respectively. The net contributed use of building is included on the accompanying statements of financial position. On an annual basis, the rent expense related to the contributed use of building is amortized using the straight-line method over the life of the lease. The amount charged to rent expense net of the amortized discount for the years ended June 30, 2020 and 2019 was \$98,567 and \$101,413, respectively (See Note K). The balance of the contributed use of building, net of the amortized rent expense and discount, for the years ended June 30, 2020 and 2019 was \$697,328 and \$795,895, respectively.

NOTE I - LINE OF CREDIT

As of June 30, 2019, the Organization had a \$500,000 line of credit with a bank. The line bears interest at Prime (5.50% on June 30, 2019) and was collateralized by a security interest in the Organization's Charles Schwab brokerage account (See Note D). The line of credit was subject to annual reviews and renews annually.

On November 6, 2019, the Organization terminated the existing line of credit and transferred the outstanding balance of \$125,000 under a new line of credit agreement with a different financial institution. The line of credit is for \$500,000 and bears interest at 1% below Prime (3.25% on June 30, 2020) and matures in January 2021. During fiscal year 2020, the Organization drew down \$125,000 and repaid \$250,000. The line of credit has an interest rate floor of 3.5% and is collateralized by a security interest in all business assets of the Organization.

Amounts outstanding under the line of credit as of June 30, 2020 and 2019, were \$0 and \$125,000, respectively.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE J – NOTE PAYABLE AND SUBSEQUENT EVENT

On November 6, 2019, the Organization entered into a construction bridge loan for up to \$1.1 million over a 12-month period when it will convert to a 10-year term loan. The construction loan bears interest at 1% below Prime, with interest only payments beginning December 2019. On November 6, 2020, the construction loan converted to term loan with a fixed interest rate at 2.75% above the Five-Year Treasury Index for 5 years and then is reset for the prevailing Five-Year Treasury Index. The note matures 10 years from conversion and no later than November 2030. The note payable is collateralized by a security interest in all business assets of the Organization. The balance of the note payable at June 30, 2020 was \$1,100,000.

The aggregate annual amounts of principal payments required on the note payable for years subsequent to the date of the conversion, based on the loan agreement, are as follows:

Years Ending June 30,	
2021	\$ 63,044
2022	97,063
2023	100,145
2024	103,325
2025	106,606
Thereafter	<u>629,816</u>
	<u>\$ 1,100,000</u>

NOTE K - COMMITMENTS

The Organization leases offices and various office equipment under operating leases with various expiration dates ranging through May 2028. In addition, some of the leases contain provisions for the Organization to pay its proportionate share of real estate taxes and building operating costs. The amount charged to operations under all operating leases, which includes real estate taxes and utilities for the years ended June 30, 2020 and 2019, was approximately \$433,000 and \$395,000, respectively (See Note H).

Minimum future lease payments for the five years subsequent to June 30, 2020, and in the aggregate, are approximately as follows:

Years Ending June 30,	
2021	\$ 288,000
2022	295,000
2023	303,000
2024	287,000
2025	280,000
Thereafter	<u>862,000</u>
	<u>\$ 2,315,000</u>

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE L - GIFTS-IN-KIND

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

As of June 30, 2020 and 2019, management estimated the fair value to be \$88,040 and \$46,983, respectively.

NOTE M - PENSION PLAN

The National Organization operated a pension plan for the local organizations. Junior Achievement of Western Pennsylvania, Inc. pays a monthly contribution to the National Organization based upon the salaries of all full-time employees with a minimum of one year of service. As of June 30, 2019, the National Organization terminated the pension plan, however, for employees enrolled in this plan as of June 30, 2019, the Organization was able to make contributions through June 30, 2020 on their behalf. The Organization has no future obligations related to the pension plan as of June 30, 2020. Expenses charged to operations for the years ended June 30, 2020 and 2019, are approximately \$123,000 and \$127,000, respectively, and are included in the financial statements as a component of employee benefits.

NOTE N – RETIREMENT SAVINGS PLAN

The Organization has a Retirement Savings Plan (403(b) Plan) for all eligible employees as defined by the Plan. Employees may contribute 100% of their salary up to the maximum contribution permitted by IRS regulations. Beginning in fiscal year 2020, the Organization may elect to make a discretionary matching contribution each Plan year. The Organization's contributions are determined annually by the Board of Trustees. For the year ended June 30, 2020, the Organization matched employee contributions, up to 4% of their eligible contributions. The Organization contributed approximately \$23,000 for the year ended June 30, 2020.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE O - CONCENTRATIONS

For the year ended June 30, 2020, three organizations accounted for approximately 35% of total accounts receivable. For the year ended June 30, 2019, three organizations accounted for approximately 29% of the total accounts receivable.

For the years ended June 30, 2020 and 2019, the Organization received approximately 32% and 20%, respectively of its total revenue from one funding source.

NOTE P - RELATED PARTY

The Organization is required to pay a license fee to the National Organization between 2% and 10% of gross revenue (defined as gross revenue reduced by allowable costs and expenses for special events), in exchange for curriculum updates and assistance with local fundraising. The Organization has a ten-year operating agreement with the National Organization to use the JA USA Brand which expires in June 2026. For the years ended June 30, 2020 and 2019, the license fee was \$215,306 and \$65,670, respectively.

The Organization entered into a management agreement to manage the administrative, financial and operational activities of JA Empowerment LLC, a Special Purpose Entity (SPE). JA Empowerment LLC is a Pennsylvania limited liability company formed in June 2017 that has been organized as a SPE to participate in the Pennsylvania Educational Improvement Tax Credit (EITC) and Opportunity Scholarship Tax Credit (OSTC) programs. The SPE will earn tax credits from the state of Pennsylvania to be distributed to its members based on the SPE making charitable scholarship donations to Junior Achievement or other scholarship organizations approved by the state. For the years ended June 30, 2020 and 2019, the SPE donated \$122,600 and \$42,700, respectively to the Organization and is included in corporate contributions on the statements of activities.

NOTE Q - CAPITAL CAMPAIGN

The Organization has initiated a Capital Campaign in order to raise funds for the development and operation of an experiential learning environment. The learning environment is known as JA BizTown. This experiential learning environment program is part of the Organization's mission to inspire and prepare young people to succeed in a global economy. (See Notes F, R and T) During the year ended June 30, 2018, the Organization resumed the capital campaign and moved the location of its corporate office and also began renovating this space to deliver the JA BizTown program. This project was completed in January 2020.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE R- NET ASSETS WITH RESTRICTIONS

The Organization has various contributions received during the year that have restrictions in place before the contribution can be used by the Organization. As of June 30, 2020 and 2019, the net assets with restrictions are comprised of:

	<u>2020</u>	<u>2019</u>
Purpose in nature		
Capital campaign	\$ 1,256,129	\$ 2,222,236
Scholarships	607,585	616,045
Contributed use of building	<u>697,328</u>	<u>795,895</u>
	2,561,042	3,634,176
Perpetual in nature	<u>0</u>	<u>0</u>
	<u>\$ 2,561,042</u>	<u>\$ 3,634,176</u>

NOTE S - LIQUIDITY AND AVAILABILITY

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

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,011,742	\$ 1,685,166
Investments	1,544,422	1,546,663
Accounts receivable, net of allowance	131,992	199,687
Pledges receivable, current, net of allowance	463,084	451,508
Less: collateral on line of credit and loan payable	<u>(715,000)</u>	<u>(715,000)</u>
	<u>\$ 2,436,240</u>	<u>\$ 3,168,024</u>

The Organization maintains a line of credit, as further discussed in Note I. The balance available as of June 30, 2020 and 2019, was \$500,000 and \$375,000, respectively.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE T - CONDITIONAL GRANT

During fiscal year 2019, a conditional grant of \$154,050 was awarded from the Redevelopment Authority of Allegheny County, Gaming Economic Development Fund, to purchase equipment for JA BizTown (See Note Q). Since JA must first incur actual expenditures and then submit requests for reimbursement, this grant was not recognized as grant income on the statements of activities as of June 30, 2019. Prior to January 21, 2020, the date that the grant was expected to terminate, JA incurred and submitted expenses and received reimbursement for this grant, and recognized revenue for the full amount as of June 30, 2020.

During fiscal year 2020, a conditional grant of \$182,000 was awarded from the Redevelopment Authority of Allegheny County, Gaming Economic Development Fund, for architecture services to rehabilitate and make improvements to BizTown and the entire Organization's office facility. Since JA must first incur actual expenditures and then submit requests for reimbursement, this grant has not yet been recognized as income as of June 30, 2020. No expenses have been incurred or submitted for reimbursement as of June 30, 2020.

NOTE U - COVID-19 PANDEMIC AND GOVERNMENT RELIEF

In March 2020, the President of the United States of America declared the outbreak of the novel coronavirus (COVID-19) a national emergency. In addition, the Commonwealth of Pennsylvania's Governor, Thomas Wolf, declared a state of emergency in the State, requiring all non-essential businesses to close their physical presence. As the virus continues to spread throughout the United States, and more specifically, the state in which the Organization provides educational instruction, the Organization has temporarily suspended in-person instructional activities at its physical location and beginning in May 2020 will offer courses through online instruction. The Organization has also reduced operating hours or provided work-from-home opportunities to its workforce through June 30, 2020 and received the Small Business Administration's Paycheck Protection Loan (PPP loan) under the CARES Act.

The Organization received a PPP loan of \$242,600 in May of 2020, with \$232,355 being recognized as governmental revenue on the statement of activities as of June 30, 2020. The remaining \$10,245 is included with deferred revenue on the statements of financial position because it had not been expended as of June 30, 2020. The Organization expects to meet all criteria for the entire loan balance to be forgiven.

As a result of this national emergency, the Organization has seen a reduction in classroom instruction and events, which negatively impacts the Organization's revenue. The Organization expects the economic conditions to be temporary, however, the length of time of the conditions are uncertain. The Organization expects the national emergency to have an adverse impact to the Organization. The impact of the national emergency on the results of operations and financial position of the Organization cannot be reasonably estimated at this time.