

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

AUDITED FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2017 AND 2016**

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, 2017 and 2016, and the related statements of activities, 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 of 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 risk 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, 2017 and 2016, 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 8, 2017

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,377,051	\$ 1,248,972
Investments	1,405,520	1,289,623
Accounts receivable	162,622	144,777
Current portion of pledges receivable, net of allowance for uncollectible pledges of \$15,000 and \$0, respectively	280,597	231,918
Prepaid expenses	1,077	9,602
TOTAL CURRENT ASSETS	3,226,867	2,924,892
PLEDGES RECEIVABLE , net of current portion and allowance for uncollectible pledges of \$11,000 and \$0, respectively	207,975	355,920
PROPERTY AND EQUIPMENT , net	439	0
TOTAL ASSETS	\$ 3,435,281	\$ 3,280,812

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 12,129	\$ 10,817
Accrued expenses	195,631	157,312
Accrued scholarships	622,510	451,026
Deferred revenue	51,958	56,930
Line of credit	100,000	200,000
TOTAL CURRENT LIABILITIES	982,228	876,085
NET ASSETS		
Unrestricted	823,088	917,947
Temporarily restricted	1,629,965	1,486,780
TOTAL NET ASSETS	2,453,053	2,404,727
TOTAL LIABILITIES AND NET ASSETS	\$ 3,435,281	\$ 3,280,812

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
CONTRIBUTIONS			
Corporate	\$ 869,750	\$ 450,000	\$ 1,319,750
Individual	103,525	0	103,525
Foundations	271,397	25,000	296,397
TOTAL CONTRIBUTIONS	1,244,672	475,000	1,719,672
SPECIAL EVENTS			
Gross revenues	1,160,687	0	1,160,687
Event expenses	(409,311)	0	(409,311)
NET SPECIAL EVENTS	751,376	0	751,376
Other income	59,408	0	59,408
In-kind contributions	151,070	0	151,070
Unrealized gains on investments	113,560	0	113,560
Realized gains on investments	13,179	0	13,179
Investment income	44,972	0	44,972
Net assets released from restriction	270,015	(270,015)	0
TOTAL SUPPORT AND REVENUE	2,648,252	204,985	2,853,237
EXPENSES			
Salaries, wages and wage taxes	1,054,397	0	1,054,397
Employee benefits	229,675	0	229,675
Program materials	249,664	0	249,664
Scholarship expense	455,012	0	455,012
Legal and professional fees	107,204	0	107,204
Rent and occupancy	100,808	0	100,808
Office expense	64,591	0	64,591
License fee	62,561	0	62,561
Public relations	183,775	0	183,775
Miscellaneous expense	64,705	0	64,705
Travel	43,464	0	43,464
Property taxes	30,387	0	30,387
Communications	42,655	0	42,655
Depreciation and amortization	40	0	40
Fundraising	48,260	0	48,260
Interest	5,913	0	5,913
Bad debt expense	0	61,800	61,800
TOTAL EXPENSES	2,743,111	61,800	2,804,911
CHANGE IN NET ASSETS	(94,859)	143,185	48,326
NET ASSETS AT BEGINNING OF YEAR	917,947	1,486,780	2,404,727
NET ASSETS AT END OF YEAR	\$ 823,088	\$ 1,629,965	\$ 2,453,053

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
CONTRIBUTIONS			
Corporate	\$ 807,952	\$ 675,006	\$ 1,482,958
Individual	99,345	278,845	378,190
Foundations	298,230	8,500	306,730
TOTAL CONTRIBUTIONS	<u>1,205,527</u>	<u>962,351</u>	<u>2,167,878</u>
SPECIAL EVENTS			
Gross revenues	1,200,841	0	1,200,841
Event expenses	(432,772)	0	(432,772)
NET SPECIAL EVENTS	<u>768,069</u>	<u>0</u>	<u>768,069</u>
Other income	58,444	0	58,444
In-kind contributions	119,728	0	119,728
Investment income	57,680	0	57,680
Net assets released from restriction	259,800	(259,800)	0
TOTAL SUPPORT AND REVENUE	<u>2,469,248</u>	<u>702,551</u>	<u>3,171,799</u>
EXPENSES			
Salaries, wages and wage taxes	1,103,600	0	1,103,600
Employee benefits	223,247	0	223,247
Program materials	213,724	0	213,724
Scholarship expense	459,775	0	459,775
Legal and professional fees	87,531	0	87,531
Rent and occupancy	104,455	0	104,455
Office expense	62,324	0	62,324
License fee	68,266	0	68,266
Public relations	148,812	0	148,812
Miscellaneous expense	57,246	0	57,246
Travel	47,489	0	47,489
Property taxes	54,698	0	54,698
Communications	35,234	0	35,234
Depreciation & amortization	4,532	0	4,532
Unrealized losses on investments	86,123	0	86,123
Realized losses on investments	6,919	0	6,919
Capital campaign fundraising	71,491	0	71,491
Fundraising	26,745	0	26,745
Interest	4,088	0	4,088
TOTAL EXPENSES	<u>2,866,299</u>	<u>0</u>	<u>2,866,299</u>
CHANGE IN NET ASSETS	(397,051)	702,551	305,500
NET ASSETS AT BEGINNING OF YEAR	<u>1,314,998</u>	<u>784,229</u>	<u>2,099,227</u>
NET ASSETS AT END OF YEAR	<u>\$ 917,947</u>	<u>\$ 1,486,780</u>	<u>\$ 2,404,727</u>

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 48,326	\$ 305,500
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	35,800	0
Allowance for uncollectible pledges	26,000	0
Depreciation and amortization	40	4,532
Unrealized (gain) loss on investments	(113,560)	86,123
Realized (gain) loss on investments	(13,179)	6,919
Decrease (increase) in:		
Accounts receivable	(17,845)	20,454
Pledges receivable	37,466	(342,533)
Prepaid expenses	8,525	3,328
Increase (decrease) in:		
Accounts payable	1,312	4,430
Accrued expenses	38,319	43,952
Accrued scholarship	171,484	192,281
Deferred revenue	(4,972)	8,530
Total net operating adjustment	<u>169,390</u>	<u>28,016</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>217,716</u>	<u>333,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(479)	0
Purchase of investments	(90,158)	(206,176)
Proceeds from sale of investments	101,000	136,843
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>10,363</u>	<u>(69,333)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	125,000	250,000
Payments on line of credit	(225,000)	(50,000)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(100,000)</u>	<u>200,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	128,079	464,183
Cash and cash equivalents at beginning of year	<u>1,248,972</u>	<u>784,789</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,377,051</u>	<u>\$ 1,248,972</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 5,913</u>	<u>\$ 4,088</u>

See accompanying notes to financial statements.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS

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

The Organization receives donations from corporations, individuals, and foundations, holds special events, and receives funds under PA Educational Improvement Tax Credit (ETC) and PA Opportunity Scholarship Tax Credit (OSTC) programs. 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 8, 2017, the date the financial statements were available to be issued, and except for the disclosure in Note I, 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 three net asset categories according to external (donor) imposed restrictions. A description of the three net asset categories follows.

1. Unrestricted net assets include contributions which are not subject to donor imposed restrictions. Unrestricted net assets also include temporarily restricted contributions whose restrictions have been met in the same reporting period.
2. Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.
3. Permanently restricted net assets include donor-imposed restrictions that resources be maintained permanently, but would permit use of part or all of the income derived from those resources. The Organization currently has no net assets with permanent 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.

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 determined that no allowance for uncollectible accounts receivable is necessary.

Pledges Receivable

Pledges 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 unrestricted net assets if the restrictions expire in the fiscal year in which the pledges are recognized. All other donor-restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for renewals and betterments which extend the life of the asset 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 asset 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.

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.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Events

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

Income Taxes

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

Financial Instruments

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

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.

Recent Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which consists of six main provisions that amend the financial statements and notes for not-for-profit organizations. The ASU makes changes to net number of net asset classes presented, enhanced disclosures regarding liquidity and self-imposed limits of net assets, increased disclosures related to expense classification disclosure, program and support functions, and underwater endowments. The new standard requires retrospective application and is effective for the annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the effect that implementation of the new standard will have on the financial statements.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE C - CONCENTRATION OF CREDIT RISK

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

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

NOTE D - INVESTMENTS

Investments at June 30 are comprised of:

	2017		2016	
	Market	Cost	Market	Cost
Mutual funds - equity	\$ 791,134	\$ 609,838	\$ 705,975	\$ 644,401
Mutual funds - bonds	<u>614,386</u>	<u>598,011</u>	<u>583,648</u>	<u>568,621</u>
	<u>\$ 1,405,520</u>	<u>\$ 1,207,849</u>	<u>\$ 1,289,623</u>	<u>\$ 1,213,022</u>

Unrealized (gains)/losses for the years ended June 30, 2017 and 2016, were (\$113,560) and \$86,123, respectively. Realized (gains)/losses for the years ended June 30, 2017 and 2016, were (\$13,179) and \$6,919, respectively. Investment income for the years ended June 30, 2017 and 2016, was \$44,972 and \$57,680, respectively. Investment expenses for the years ended June 30, 2017 and 2016, were \$12,655 and \$12,063, respectively. Approximately \$97,100 and \$54,200 of money market funds included in the investment brokerage account at June 30, 2017 and 2016, respectively, is included in cash and cash equivalents on the Statements of Financial Position.

As discussed in Note I, the line of credit is secured by investments up to the balance outstanding. As of June 30, 2017, the balance outstanding was \$100,000.

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

Accounting Standard Codification (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.

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

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall as of June 30, 2017 and 2016.

	Fair Value at June 30, 2017		
	Level 1	Level 2	Level 3
Mutual Funds:			
Large Domestic Common Stock Funds	\$ 262,186	\$ 0	\$ 0
Small Domestic Common Stock Funds	130,384	0	0
International Common Stock Funds	283,249	0	0
Real Estate Investment Trusts	43,645	0	0
Other Equity Funds	71,670	0	0
Short Term Debt Funds	247,922	0	0
Intermediate Term Debt Funds	366,464	0	0
Total Investments	\$ 1,405,520	\$ 0	\$ 0
Pledges Receivable	\$ 0	\$ 0	\$ 514,572

	Fair Value at June 30, 2016		
	Level 1	Level 2	Level 3
Mutual Funds:			
Large Domestic Common Stock Funds	\$ 261,961	\$ 0	\$ 0
Small Domestic Common Stock Funds	116,865	0	0
International Common Stock Funds	214,370	0	0
Real Estate Investment Trusts	53,152	0	0
Other Equity Funds	59,627	0	0
Short Term Debt Funds	238,124	0	0
Intermediate Term Debt Funds	345,524	0	0
Total Investments	\$ 1,289,623	\$ 0	\$ 0
Pledges Receivable	\$ 0	\$ 0	\$ 587,838

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:

	2017	2016
Beginning balance	\$ 587,838	\$ 245,305
Purchases, sales, issuances, and settlements, net	(73,266)	342,533
Transfers in and/or out of Level 3	<u>0</u>	<u>0</u>
Ending balance	\$ 514,572	\$ 587,838

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE F - PLEDGES RECEIVABLE

Pledges receivable for the capital campaign as of June 30, 2017, were \$514,572 of which \$295,597 is anticipated to be collected within one year, \$158,975 is anticipated to be collected within two to five years, and \$60,000 is anticipated to be collected in more than five years. Of these receivables, \$325,000 is due from two donors. Pledges receivable as of June 30, 2016, were \$587,838. Of these receivables, \$325,000 was due from two donors. Management has estimated an allowance for uncollectible pledges of \$26,000 and \$0, for the years ended June 30, 2017 and 2016, respectively. (See Notes O and P)

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment at June 30 is summarized as follows:

	June 30,	
	2017	2016
Leasehold improvements	\$ 2,882	\$ 2,882
Computer equipment	26,496	26,017
Furniture and fixtures	<u>18,869</u>	<u>18,869</u>
	48,247	47,768
Less accumulated depreciation and amortization	<u>47,808</u>	<u>47,768</u>
Total	<u>\$ 439</u>	<u>\$ 0</u>

Depreciation and amortization charged to operations for the years ended June 30, 2017 and 2016 was \$40 and \$4,532, respectively.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE H - FUNCTIONAL EXPENSES

The expenses as reported in the Statements of Activities by function are as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 2,185,458	\$ 2,228,447
Management and general	350,607	337,728
Fundraising costs	<u>268,846</u>	<u>207,082</u>
	<u>\$ 2,804,911</u>	<u>\$ 2,773,257</u>

NOTE I - LINE OF CREDIT AND SUBSEQUENT EVENT

During the year ended June 30, 2016, the Organization increased their available line of credit with a bank from \$250,000 to \$500,000. The line bears interest at Prime (4.25% on June 30, 2017) and is collateralized by a security interest in the Organization's Charles Schwab brokerage account (see Note D). The line of credit is subject to annual reviews and renewals and expired on January 30, 2017. The Organization is in the process of renewing the line of credit but the agreement has not been finalized as of the report date. Amounts outstanding under this line of credit as of June 30, 2017 and 2016 were \$100,000 and \$200,000, respectively. On August 31, 2017, the line of credit was repaid in full.

NOTE J - COMMITMENTS

The Organization leases offices and various office equipment under operating leases with various expiration dates ranging through January 2020. 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 for the years ended June 30, 2017 and 2016 was approximately \$134,000 and \$137,000, respectively.

Minimum future lease payments for the three years subsequent to June 30, 2017 and in the aggregate, are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2018	\$ 80,000
2019	30,000
2020	<u>14,000</u>
	<u>\$ 124,000</u>

The Organization has accrued approximately \$148,000 for various property taxes associated with land owned by the Organization. The Organization is in the process of transferring ownership of the land to the borough of Munhall in exchange for forgiveness of this tax liability. The process is not yet completed and therefore the accrual is included in accrued expenses on the Statements of Financial Position.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE K - GIFTS-IN-KIND

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

As of June 30, 2017 and 2016, management estimated the fair value to be \$151,070 and \$119,728, respectively.

NOTE L - PENSION PLAN

The National Organization operates a pension plan for the local organizations. Junior Achievement of Western Pennsylvania, Inc. pays a monthly contribution to the National Organization based upon the salaries of all full-time employees with a minimum of one year of service. Expenses charged to operations for the years ended June 30, 2017 and 2016 are approximately \$131,000 and \$133,000, respectively, and are included in the financial statements as a component of employee benefits.

NOTE M - CONCENTRATIONS

For the years ended June 30, 2017, one organization accounted for approximately 15% of total accounts receivable. For June 30, 2016, two companies/organizations accounted for approximately 30% of the total accounts receivable.

For the years ended June 30, 2017 and 2016, the Organization received approximately 15% of its total revenue from one funding source.

NOTE N - RELATED PARTY

The Organization is required to pay a license fee to the National Organization between 2% and 10% of gross revenue (defined as gross revenue reduced by allowable costs and expenses for special events), in exchange for curriculum updates and assistance with local fundraising. The Organization has a ten-year operating agreement with the National Organization to use the JA USA Brand which expires in June 2026. For the years ended June 30, 2017 and 2016, the license fee was \$62,561 and \$68,266, respectively.

NOTE O - CAPITAL CAMPAIGN

The Organization has initiated a Capital Campaign in order to raise funds for the development of experiential learning environments. The learning environments are known as JA BizTown and JA Finance Park. These experiential learning programs are part of the Organization's mission to inspire and prepare young people to succeed in a global economy. (See Notes F and P). Fund raising and collections for the capital campaign have been suspended while the Organization finalizes plans to purchase a mobile unit as opposed to the original goal of purchasing a building from which to deliver the JA BizTown and JA Finance Park programs. The Organization intends to resume the campaign during the year ended June 30, 2018.

Junior Achievement of Western Pennsylvania, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE P - TEMPORARY RESTRICTED NET ASSETS

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, 2017 and 2016, the temporary restricted net assets are comprised of:

	<u>2017</u>	<u>2016</u>
Capital campaign	\$ 973,954	\$ 1,035,754
Foundation	25,000	0
Scholarships	<u>631,011</u>	<u>451,026</u>
	<u>\$ 1,629,965</u>	<u>\$ 1,486,780</u>

NOTE Q – SPECIAL PURPOSE ENTITY

JA Empowerment LLC, is a Pennsylvania limited liability company formed in June 2017, that has been organized as a Special Purpose Entity (SPE) whose business purpose is 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. Junior Achievement entered into a management agreement in June 2017 to manage the administrative, financial and operations of the SPE. As of June 30, 2017, the SPE has no activity or earned any tax credits.