

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

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED  
JUNE 30, 2018 AND 2017**

## 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, 2018 and 2017, 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*McClintock & Associates, P.C.*

Pittsburgh, Pennsylvania  
December 7, 2018

# ***Junior Achievement of Western Pennsylvania, Inc.***

## **STATEMENTS OF FINANCIAL POSITION**

### **ASSETS**

	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,154,113	\$ 1,377,051
Investments	1,505,776	1,405,520
Accounts receivable	228,048	162,622
Current portion of pledges receivable, net of allowance for uncollectible pledges of \$17,000 and \$15,000, respectively	157,548	280,597
Prepaid expenses	4,227	1,077
<b>TOTAL CURRENT ASSETS</b>	<b>3,049,712</b>	<b>3,226,867</b>
<b>PLEDGES RECEIVABLE</b> , net of current portion and allowance for uncollectible pledges of \$29,000 and \$11,000, respectively	258,592	207,975
<b>CONTRIBUTED USE OF BUILDING</b> , net of unamortized discount of \$134,990 and \$0, respectively	897,308	0
<b>PROPERTY AND EQUIPMENT</b> , net	63,609	439
<b>SECURITY DEPOSIT</b>	19,420	0
<b>TOTAL ASSETS</b>	<b>\$ 4,288,641</b>	<b>\$ 3,435,281</b>

### **LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 67,285	\$ 12,129
Accrued expenses	12,888	195,631
Accrued scholarships	665,379	622,510
Deferred revenue	29,935	51,958
Line of credit	0	100,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>775,487</b>	<b>982,228</b>
<b>DEFERRED RENT</b>	15,640	0
<b>NET ASSETS</b>		
Unrestricted	955,523	823,088
Temporarily restricted	2,541,991	1,629,965
<b>TOTAL NET ASSETS</b>	<b>3,497,514</b>	<b>2,453,053</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,288,641</b>	<b>\$ 3,435,281</b>

*See accompanying notes to financial statements.*

# ***Junior Achievement of Western Pennsylvania, Inc.***

## **STATEMENTS OF ACTIVITIES**

	<b>Year Ended June 30, 2018</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
<b>CONTRIBUTIONS</b>			
Corporate	\$ 919,397	\$ 495,260	\$ 1,414,657
Individual	147,758	0	147,758
Foundations	173,243	0	173,243
<b>TOTAL CONTRIBUTIONS</b>	<b>1,240,398</b>	<b>495,260</b>	<b>1,735,658</b>
<b>SPECIAL EVENTS</b>			
Gross revenues	1,282,562	0	1,282,562
Event expenses	(525,550)	0	(525,550)
<b>NET SPECIAL EVENTS</b>	<b>757,012</b>	<b>0</b>	<b>757,012</b>
Other income	51,506	0	51,506
Forgiveness of property taxes	142,360	0	142,360
In-kind contributions	105,298	897,308	1,002,606
Unrealized gains on investments	(10,090)	0	(10,090)
Realized gains on investments	20,763	0	20,763
Investment income	67,993	0	67,993
Net assets released from restriction	460,542	(460,542)	0
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,835,782</b>	<b>932,026</b>	<b>3,767,808</b>
<b>EXPENSES</b>			
Salaries, wages and wage taxes	1,061,624	0	1,061,624
Employee benefits	251,738	0	251,738
Program materials	293,876	0	293,876
Scholarship expense	442,151	0	442,151
Legal and professional fees	99,269	0	99,269
Rent and occupancy	97,607	0	97,607
Office expense	65,853	0	65,853
License fee	59,281	0	59,281
Public relations	133,319	0	133,319
Miscellaneous expense	77,930	0	77,930
Travel	47,845	0	47,845
Communications	37,172	0	37,172
Depreciation and amortization	999	0	999
Fundraising	33,710	0	33,710
Interest	973	0	973
Bad debt expense	0	20,000	20,000
<b>TOTAL EXPENSES</b>	<b>2,703,347</b>	<b>20,000</b>	<b>2,723,347</b>
<b>CHANGE IN NET ASSETS</b>	<b>132,435</b>	<b>912,026</b>	<b>1,044,461</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>823,088</b>	<b>1,629,965</b>	<b>2,453,053</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 955,523</b>	<b>\$ 2,541,991</b>	<b>\$ 3,497,514</b>

*See accompanying notes to financial statements.*

# ***Junior Achievement of Western Pennsylvania, Inc.***

## **STATEMENTS OF ACTIVITIES**

	<b>Year Ended June 30, 2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
<b>CONTRIBUTIONS</b>			
Corporate	\$ 869,750	\$ 450,000	\$ 1,319,750
Individual	103,525	0	103,525
Foundations	271,397	25,000	296,397
<b>TOTAL CONTRIBUTIONS</b>	<b>1,244,672</b>	<b>475,000</b>	<b>1,719,672</b>
<b>SPECIAL EVENTS</b>			
Gross revenues	1,160,687	0	1,160,687
Event expenses	(409,311)	0	(409,311)
<b>NET SPECIAL EVENTS</b>	<b>751,376</b>	<b>0</b>	<b>751,376</b>
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
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,648,252</b>	<b>204,985</b>	<b>2,853,237</b>
<b>EXPENSES</b>			
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 & amortization	40	0	40
Fundraising	48,260	0	48,260
Interest	5,913	0	5,913
Bad debt expense	0	61,800	61,800
<b>TOTAL EXPENSES</b>	<b>2,743,111</b>	<b>61,800</b>	<b>2,804,911</b>
<b>CHANGE IN NET ASSETS</b>	<b>(94,859)</b>	<b>143,185</b>	<b>48,326</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>917,947</b>	<b>1,486,780</b>	<b>2,404,727</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 823,088</b>	<b>\$ 1,629,965</b>	<b>\$ 2,453,053</b>

*See accompanying notes to financial statements.*

# ***Junior Achievement of Western Pennsylvania, Inc.***

## **STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,044,461	\$ 48,326
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	20,000	61,800
Contributed use of building	(1,032,298)	0
Unamortized discount on contributed use of building	134,990	0
Depreciation and amortization	999	40
Unrealized loss (gain) on investments	10,090	(113,560)
Realized (gain) loss on investments	(20,763)	(13,179)
Deferred rent	15,640	0
Decrease (increase) in:		
Accounts receivable	(65,426)	(17,845)
Pledges receivable	52,432	37,466
Prepaid expenses	(3,150)	8,525
Security deposit	(19,420)	0
Increase (decrease) in:		
Accounts payable	55,156	1,312
Accrued expenses	(182,743)	38,319
Accrued scholarship	42,869	171,484
Deferred revenue	(22,023)	(4,972)
Total net operating adjustment	<u>(1,013,647)</u>	<u>169,390</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>30,814</b>	<b>217,716</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(64,169)	(479)
Purchase of investments	(560,252)	(90,158)
Proceeds from sale of investments	470,669	101,000
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(153,752)</b>	<b>10,363</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	0	125,000
Payments on line of credit	(100,000)	(225,000)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(222,938)</b>	<b>128,079</b>
Cash and cash equivalents at beginning of year	<u>1,377,051</u>	<u>1,248,972</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>1,154,113</u></b>	<b>\$ <u>1,377,051</u></b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>973</u>	<u>5,913</u>

*See accompanying notes to financial statements.*

# ***Junior Achievement of Western Pennsylvania, Inc.***

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## **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, receives funds under PA Educational Improvement Tax Credit (ETC) and PA Opportunity Scholarship Tax Credit (OSTC) programs, and has received a Pennsylvania Job Training and Educational Programs grant. 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 December 7, 2018, the date the financial statements were available to be issued and 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 (Note D).

# ***Junior Achievement of Western Pennsylvania, Inc.***

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## **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 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 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. 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 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.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Deferred Rent**

The Organization has entered into an operating lease for its facility which contains certain provisions for escalating rent. The Organization recognizes rent expense on the straight-line method over the lives 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.

#### **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.

# ***Junior Achievement of Western Pennsylvania, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition* and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, deferring the effective date of this amendment by one year. This ASU will be effective for the Organization's year ended June 30, 2020, with a one-year early adoption for the Organization's year ended June 30, 2019. The Company is currently in the process of assessing the impact of the adoption of this standard on its financial statements.

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, 2021. 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.

In August 2016, the FASB issued 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.

In June 2018, the FASB issued ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new standard allows for a modified prospective application and is effective for the annual financial statements issued for fiscal years beginning after December 15, 2018 for resource recipients and December 15, 2019 for resource providers. 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:

	<b>2018</b>		<b>2017</b>	
	<b>Market</b>	<b>Cost</b>	<b>Market</b>	<b>Cost</b>
Mutual funds - equity	\$ 801,296	\$ 647,379	\$ 791,134	\$ 609,838
Mutual funds - bonds	<u>704,480</u>	<u>703,187</u>	<u>614,386</u>	<u>598,011</u>
	<u>\$ 1,505,776</u>	<u>\$ 1,350,566</u>	<u>\$ 1,405,520</u>	<u>\$ 1,207,849</u>

Unrealized (gains)/losses for the years ended June 30, 2018 and 2017, were \$10,090 and (\$113,560), respectively. Realized (gains)/losses for the years ended June 30, 2018 and 2017, were (\$20,763) and (\$13,179), respectively. Investment income for the years ended June 30, 2018 and 2017, was \$67,993 and \$44,972, respectively. Investment expenses for the years ended June 30, 2018 and 2017, were \$10,401 and \$12,655, respectively. Approximately \$62,200 and \$97,100 of money market funds included in the investment brokerage account at June 30, 2018 and 2017, respectively, is included in cash and cash equivalents on the Statements of Financial Position.

As discussed in Note J, the line of credit is secured by investments up to the balance outstanding. As of June 30, 2018, there was no balance outstanding.

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.***

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## **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.

**Contributed use of building:** 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, 2018 and 2017.

	<b>Fair Value at June 30, 2018</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Mutual Funds:</b>			
Large Domestic Common Stock Funds	\$ 230,966	\$ 0	\$ 0
Small Domestic Common Stock Funds	139,688	0	0
International Common Stock Funds	268,849	0	0
Real Estate Investment Trusts	45,085	0	0
Other Equity Funds	116,708	0	0
Short Term Debt Funds	277,039	0	0
Intermediate Term Debt Funds	<u>427,441</u>	<u>0</u>	<u>0</u>
<b>Total Investments</b>	<b>\$ <u>1,505,776</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>
<b>Pledges Receivable</b>	\$ 0	\$ 0	\$ 462,140
<b>Contributed Use of Building</b>	<u>0</u>	<u>0</u>	<u>897,308</u>
<b>Total</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>1,359,448</u></b>

	<b>Fair Value at June 30, 2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Mutual Funds:</b>			
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	<u>366,464</u>	<u>0</u>	<u>0</u>
<b>Total Investments</b>	<b>\$ <u>1,405,520</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>
<b>Pledges Receivable</b>	\$ 0	\$ 0	\$ 514,572

# ***Junior Achievement of Western Pennsylvania, Inc.***

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE E - FAIR VALUE MEASUREMENT (CONTINUED)**

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:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 514,572	\$ 587,838
Purchases, sales, issuances, and settlements	844,876	(73,266)
Transfers in and/or out of Level 3	<u>0</u>	<u>0</u>
Ending balance	<u>\$ 1,359,448</u>	<u>\$ 514,572</u>

### **NOTE F - PLEDGES RECEIVABLE**

Pledges receivable for the capital campaign as of June 30, 2018, were \$462,140 of which \$174,548 is anticipated to be collected within one year, \$187,592 is anticipated to be collected within two to five years, and \$100,000 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, 2017, were \$514,572. Of these receivables, \$325,000 was due from two donors. Management has estimated an allowance for uncollectible pledges of \$46,000 and \$26,000, for the years ended June 30, 2018 and 2017, respectively. (See Notes P and Q)

### **NOTE G - PROPERTY AND EQUIPMENT**

Property and equipment at June 30 is summarized as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 40,055	\$ 2,882
Computer equipment	26,496	26,496
Furniture and fixtures	<u>26,996</u>	<u>18,869</u>
	93,547	48,247
Less accumulated depreciation and amortization	<u>29,938</u>	<u>47,808</u>
Total	<u>\$ 63,609</u>	<u>\$ 439</u>

Depreciation and amortization charged to operations for the years ended June 30, 2018 and 2017 was \$999 and \$40, respectively.

# ***Junior Achievement of Western Pennsylvania, Inc.***

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## **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 temporarily 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. As of June 30, 2018, the fair value of the contributed use of building was \$897,308, net of unamortized discount of \$134,990, and are included on the accompanying Statements of Financial Position. On an annual basis, the expense related to the contributed use of building will be amortized using the straight-line method over the life of the lease.

### **NOTE I - FUNCTIONAL EXPENSES**

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

	<u>2018</u>	<u>2017</u>
Program services	\$ 2,151,545	\$ 2,185,458
Management and general	596,217	350,607
Fundraising costs	<u>254,585</u>	<u>268,846</u>
	<u>\$ 3,002,347</u>	<u>\$ 2,804,911</u>

### **NOTE J - LINE OF CREDIT**

The Organization has available a \$500,000 line of credit with a bank. The line bears interest at Prime (5.00% on June 30, 2018) 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 renews annually. On August 31, 2017, the line of credit was repaid in full. Amounts outstanding under this line of credit as of June 30, 2018 and 2017 were \$0 and \$100,000, respectively.

# ***Junior Achievement of Western Pennsylvania, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **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 for the years ended June 30, 2018 and 2017 was approximately \$132,000 and \$134,000, respectively.

Minimum future lease payments for the five years subsequent to June 30, 2018 and in the aggregate, are approximately as follows:

<b>Years Ending June 30,</b>	
2019	\$ 147,000
2020	281,000
2021	288,000
2022	295,000
2023	303,000
Thereafter	<u>1,429,000</u>
	<u>\$ 2,743,000</u>

As of June 30, 2017, the Organization had accrued approximately \$148,000 for various property taxes associated with land owned by the Organization. During the year ended June 30, 2018, the Organization transferred ownership of the land to the borough of Munhall in exchange for forgiveness of this tax liability. The reversal of the accrued property taxes is shown as forgiveness of property taxes on the Statements of Activities for the year ended June 30, 2018.

### **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, 2018 and 2017, management estimated the fair value to be \$105,298 and \$151,070, respectively.



# ***Junior Achievement of Western Pennsylvania, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE M - 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, 2018 and 2017 are approximately \$128,000 and \$131,000, respectively, and are included in the financial statements as a component of employee benefits.

### **NOTE N - CONCENTRATIONS**

For the year ended June 30, 2018, one organization accounted for approximately 12% of total accounts receivable. For the year ended June 30, 2017, one organization accounted for approximately 15% of the total accounts receivable.

For the years ended June 30, 2018 and 2017, the Organization received approximately 24% and 32%, respectively of its total revenue from one funding source.

### **NOTE O - 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, 2018 and 2017, the license fee was \$59,281 and \$62,561, 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. As of June 30, 2018, and 2017, the SPE donated \$42,700 and \$0 to the Organization, respectively.

# ***Junior Achievement of Western Pennsylvania, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE P - 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 Q). As of the year ended June 30, 2017, fund raising and collections for the capital campaign had been suspended while the Organization finalized 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. During the year ended June 30, 2018, the Organization resumed the campaign and moved the location of its corporate office and also began renovating this space to deliver the JA BizTown and JA Finance Park programs.

### **NOTE Q - 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, 2018 and 2017, the temporary restricted net assets are comprised of:

	<u>2018</u>	<u>2017</u>
Capital campaign	\$ 979,304	\$ 973,954
Foundation	0	25,000
Scholarships	665,379	631,011
Contributed use of building	<u>897,308</u>	<u>0</u>
	<u>\$ 2,541,991</u>	<u>\$ 1,629,965</u>