

**Junior Achievement of the
Palm Beaches & Treasure Coast, Inc.**

Financial Statements

June 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors
Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of Junior Achievement of the Palm Beaches & Treasure Coast, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one (1) year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Coastal Capital LLP

Boca Raton, Florida
December 6, 2022

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
 Statements of Financial Position
 June 30, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,171,823	\$ 838,252
Prepaid expenses	1,500	4,235
Total current assets	<u>1,173,323</u>	<u>842,487</u>
 Property and equipment, net	 <u>15,802</u>	 <u>17,333</u>
 Total assets	 <u>\$ 1,189,125</u>	 <u>\$ 859,820</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	\$ 72,820	\$ 47,334
Deferred income	130,000	44,500
Total current liabilities	<u>202,820</u>	<u>91,834</u>
 Other liabilities:		
Note payable, non-current	-	119,440
Total liabilities	<u>202,820</u>	<u>211,274</u>
 Commitments and contingencies		
 Net assets:		
Without donor restrictions	986,305	636,046
With donor restrictions	-	12,500
Total net assets	<u>986,305</u>	<u>648,546</u>
 Total liabilities and net assets	 <u>\$ 1,189,125</u>	 <u>\$ 859,820</u>

See accompanying notes to financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
 Statements of Activities and Changes in Net Assets
 Years Ended June 30, 2022 and 2021

	June 30, 2022			June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Contributions	\$ 183,536	\$ -	\$ 183,536	\$ 159,920	\$ 12,500	\$ 172,420
Grants and contract agreements	1,137,404	-	1,137,404	1,024,309	-	1,024,309
Paycheck protection program loan forgiveness	119,440	-	119,440	108,030	-	108,030
Special fund-raising activities, net of costs of \$41,674 and \$6,379, respectively	59,863	-	59,863	25,656	-	25,656
Other income	14,143	-	14,143	13,289	-	13,289
Net assets released from restrictions	12,500	(12,500)	-	47,306	(47,306)	-
Total support and revenues	<u>1,526,886</u>	<u>(12,500)</u>	<u>1,514,386</u>	<u>1,378,510</u>	<u>(34,806)</u>	<u>1,343,704</u>
Expenses:						
Program services	802,139	-	802,139	694,673	-	694,673
Management and general	208,357	-	208,357	148,083	-	148,083
Fundraising	166,131	-	166,131	141,555	-	141,555
Total expenses	<u>1,176,627</u>	<u>-</u>	<u>1,176,627</u>	<u>984,311</u>	<u>-</u>	<u>984,311</u>
Change in net assets	350,259	(12,500)	337,759	394,199	(34,806)	359,393
Net assets, beginning of year	<u>636,046</u>	<u>12,500</u>	<u>648,546</u>	<u>241,847</u>	<u>47,306</u>	<u>289,153</u>
Net assets, end of year	<u>\$ 986,305</u>	<u>\$ -</u>	<u>\$ 986,305</u>	<u>\$ 636,046</u>	<u>\$ 12,500</u>	<u>\$ 648,546</u>

See accompanying notes to financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and related expenses	\$ 578,263	\$ 111,363	\$ 116,020	\$ 805,646
Franchise fees	109,675	-	-	109,675
Office and occupancy	15,794	28,080	2,055	45,929
Outside services	27,371	38,749	734	66,854
Supplies	46,264	22,220	1,924	70,408
Dues and subscriptions	50	3,223	22,650	25,923
Travel and training expenses	17,840	1,305	17,747	36,892
Depreciation	5,989	60	-	6,049
Postage and printing	731	974	4,224	5,929
Advertising	162	2,383	777	3,322
Total functional expenses	<u>\$ 802,139</u>	<u>\$ 208,357</u>	<u>\$ 166,131</u>	<u>\$ 1,176,627</u>

See accompanying notes to financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and related expenses	\$ 465,940	\$ 130,947	\$ 104,702	\$ 701,589
Franchise fees	97,516	-	-	97,516
Office and occupancy	52,125	2,316	3,476	57,917
Outside services	35,974	1,673	4,184	41,831
Supplies	20,757	6,577	13,734	41,068
Dues and subscriptions	11,755	3,725	7,778	23,258
Travel and training expenses	4,390	1,391	2,905	8,686
Depreciation	5,787	58	-	5,845
Postage and printing	347	967	3,987	5,301
Office expenses	82	429	789	1,300
Total functional expenses	<u>\$ 694,673</u>	<u>\$ 148,083</u>	<u>\$ 141,555</u>	<u>\$ 984,311</u>

See accompanying notes to financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 337,759	\$ 359,393
Adjustments to reconcile the changes in net assets to net cash provided by operating activities:		
Paycheck protection program loan forgiveness	(119,440)	(108,030)
Depreciation	6,049	5,845
Changes in operating assets and liabilities:		
Grants receivable	-	138,000
Prepaid expenses	2,735	(1,885)
Accounts payable and accrued expenses	25,486	16,441
Deferred income	85,500	(73,000)
Net cash provided by operating activities	<u>338,089</u>	<u>336,764</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,518)	-
Net cash used in investing activities	<u>(4,518)</u>	<u>-</u>
Cash flows from financing activities:		
Repayments on notes payable	-	(50,000)
Borrowings on note payable	-	119,440
Net cash provided by financing activities	<u>-</u>	<u>69,440</u>
Increase in cash and cash equivalents	333,571	406,204
Cash and cash equivalents, beginning of year	<u>838,252</u>	<u>432,048</u>
Cash and cash equivalents, end of year	<u>\$ 1,171,823</u>	<u>\$ 838,252</u>

See accompanying notes to financial statements.

Note 1 – Nature of Organization

Junior Achievement of the Palm Beaches & Treasure Coast, Inc. (the “Organization”), is a not-for-profit organization established to conduct educational programs to enhance the knowledge of the American free enterprise system among elementary, middle and high school students by affording them an opportunity to participate in activities that parallel the operations of a business. The Organization is a franchise of Junior Achievement USA (“JA USA”) and its mission is to educate and inspire young people to value free enterprise, understand business and economics and be workforce ready. To accomplish this mission, the Organization recruits individuals from the business and educational community to teach students the basic tenets of running a business based on predetermined class lectures and activities prepared by JA USA. The Organization’s primary funding source is from grant and donor contributions.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Certain program and support expenses, such as salaries, benefits and other administrative costs, are allocated among program services, management and general and fundraising based on management’s analysis of these costs.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies, continued

Contributions and Revenue

Contributions received, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for a future period or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Special fund-raising activities revenue is recognized at the time of the special event and presented net of related costs. Grant contract revenue is recognized when the requirements under the grant have been fulfilled.

Donated Services and Materials

Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions are recognized at fair value when donated services received create or enhance long-lived assets or require specialized skills and when goods that would typically need to be purchased are provided by donation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with original maturities of three (3) months or less to be cash equivalents.

Property and Equipment

Property and equipment is stated at cost or, if donated, at approximate fair value at the date of donation. Donations of long-lived assets are reported as not having implied time restrictions on the use of such property unless specified by the donor. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of activities for the respective period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three (3) to five (5) years.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"), except for income from activities not related to its tax-exempt purpose. No provision for income taxes was recorded during the years ended June 30, 2022 or 2021 since the Organization had no significant unrelated business income. The Organization is not a private foundation pursuant to section 509(a)(1) of the IRC.

In accordance with U.S. GAAP on accounting for uncertainty in income taxes, the Organization recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. The Organization's tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing.

Note 2 – Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 825, *Disclosure About Fair Value of Financial Instruments*, requires certain disclosures regarding the fair value of financial instruments. The Organization estimates that the fair value of all financial instruments at June 30, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Accounting Pronouncements Adopted

The Organization has adopted the financial statement presentation and disclosure standards contained in the FASB Accounting Standards Update (“ASU”) No. 2018-08 – Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The change has been applied retrospectively with no effect on beginning net assets.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than twelve (12) months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statements of functional expenses. Due to the COVID-19 pandemic, relief has been offered by the FASB and the effective date has been extended to fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the potential impact of this ASU on the financial statements.

Date of Management’s Review

Management has evaluated subsequent events through December 6, 2022, the date which the financial statements were available to be issued, for matters that require adjustment to or disclosure in the financial statements.

Note 3 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one (1) year of June 30, 2022, consist of the following:

Financial assets at June 30, 2022	
Cash and cash equivalents	\$ 1,171,823
Total financial assets	<u>1,171,823</u>
Total financial assets available within one (1) year to meet cash needs for general expenditures	 \$ <u>1,171,823</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 4 – Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and other equipment	\$ 174,843	\$ 170,325
Computer equipment	25,363	25,363
	<u>200,206</u>	<u>195,688</u>
Less: accumulated depreciation	(184,404)	(178,355)
Property and equipment, net	<u>\$ 15,802</u>	<u>\$ 17,333</u>

Depreciation expense totaled \$6,049 and \$5,845 for the years ended June 30, 2022 and 2021, respectively.

Note 5 – Notes Payable

In March 2021, the Organization was granted a second Paycheck Protection Program (“PPP”) loan from the Small Business Administration (“SBA”) for the aggregate amount of \$119,440 pursuant to the PPP under Division A, Title I of the CARES Act. Under the terms of the PPP loan, certain amounts of the PPP loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On November 4, 2021, the Organization received official notice from the SBA for the full forgiveness of the outstanding PPP loan balance totaling \$119,440.

In June 2020, the Organization was granted an interest free loan from the Achievement Foundation, Inc. for an aggregate amount of \$50,000. The loan was fully repaid in June 2021.

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
<u>Purpose restricted:</u>		
Virtual programming	\$ -	\$ 12,500
	<u> </u>	<u> </u>

Note 6 – Net Assets with Donor Restrictions, continued

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the passage of time. Net assets were released from restrictions for the following purposes:

	<u>2022</u>	<u>2021</u>
JA Inspire Program	\$ -	\$ 47,306
Virtual programming	12,500	-
Total	<u>\$ 12,500</u>	<u>\$ 47,306</u>

Note 7 – Multi-Employer Health and Welfare Plan

JA USA has a self-funded medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization and employees of Junior Achievement Areas in the United States can participate in the Health and Welfare Plan. All the assets and liabilities of the Health and Welfare Plan are held in the Junior Achievement USA Health and Welfare Benefits Trust (Benefits Trust). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization. The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2022 and 2021, was \$66,955 and \$61,672, respectively, and are included in salaries and related expenses in the accompanying statements of functional expenses.

Note 8 – Leases

The Organization maintained a lease for its main office location in West Palm Beach, Florida through August 2020, which was not renewed upon expiration. The Organization entered into a new office lease at a different location on August 1, 2020 and expired on July 31, 2021. The office lease, as amended, expires on August 31, 2023 with monthly payments of approximately \$1,900. The Organization also leases certain office equipment under operating leases expiring through May 2024.

Rent expense for the years ended June 30, 2022 and 2021 totaled \$21,616 and \$26,859, respectively, and is included in office and occupancy expenses in the accompanying statements of functional expenses.

Future lease commitments under the terms of these lease agreements are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 27,118
2024	7,230
Total	<u>\$ 34,348</u>

Note 9 – Concentration of Credit Risk

The Organization maintains cash at a financial institution which at times may exceed federally insured limits. Deposits held at the financial institution in excess of federally insured limits at June 30, 2022 and 2021 were \$921,508 and \$579,706, respectively.

Note 10 – Commitments, Agreements and Contingencies

Grants

Grants require the fulfillment of certain conditions as set forth in the grant agreement. The Organization receives funding for programs which support the operations of the Organization. These grants require specific supporting documentation to be maintained and fulfillment of certain activities and conditions.

These activities and conditions are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that the Organization has met all requirements and objectives of the grantor agencies and considers it unlikely that any material amount of funds would be returned, if any.

Franchise Fees

Fees are payable in monthly payments to JA USA based on the adjusted gross revenue as defined. During the years ended June 30, 2022 and 2021, the Organization incurred \$109,675 and \$97,516, respectively, in franchise fees to JA USA.

Line of Credit

The Organization has a \$100,000 revolving line of credit which bears interest at an annual rate of prime plus 2.00% (6.75% and 5.25% at June 30, 2022 and 2021, respectively). The line matures on July 14, 2024. At June 30, 2022 and 2021, there were no amounts drawn on the line.

Note 11 – Profit-Sharing Plan

On July 1, 2019, JA USA implemented a 401(k) multiple employer profit-sharing plan covering substantially all employees. The Organization's contributions to the plan are determined annually by the Board of Directors. Contributions to the plan were \$16,438 and \$9,852, for the years ended June 30, 2022, and 2021, respectively.