

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

Financial Statements

June 30, 2019 and 2018

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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 at June 30, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization at June 30, 2019 and 2018, 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.

Wagtail Capital LLP

Boca Raton, Florida
October 17, 2019

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
 Statements of Financial Position
 June 30, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 249,646	\$ 281,603
Grants receivable	-	72,580
Contributions receivable, current portion	25,000	12,500
Inventory	-	7,500
Prepaid expenses	5,602	5,354
Total current assets	<u>280,248</u>	<u>379,537</u>
Contributions receivable, net of current portion	-	12,500
Property and equipment, net	<u>8,455</u>	<u>6,086</u>
Total assets	<u>\$ 288,703</u>	<u>\$ 398,123</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	\$ 5,654	\$ 15,261
Total current liabilities	<u>5,654</u>	<u>15,261</u>
Net assets:		
Without donor restriction	258,049	254,751
With donor restriction	25,000	128,111
Total net assets	<u>283,049</u>	<u>382,862</u>
Total liabilities and net assets	<u>\$ 288,703</u>	<u>\$ 398,123</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, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenues:						
Contributions	\$ 476,672	\$ -	\$ 476,672	\$ 541,305	\$ 37,500	\$ 578,805
Grants and contract agreements	189,798	-	189,798	207,803	-	207,803
Special fund-raising activities, net of costs of \$85,246 and \$128,783, respectively	159,734	-	159,734	181,708	-	181,708
In-kind contributions	1,500	-	1,500	5,517	-	5,517
Other income	5,416	-	5,416	10,817	-	10,817
Net assets released from restriction	103,111	(103,111)	-	133,249	(133,249)	-
Total support and revenues	<u>936,231</u>	<u>(103,111)</u>	<u>833,120</u>	<u>1,080,399</u>	<u>(95,749)</u>	<u>984,650</u>
Expenses:						
Program services	660,663	-	660,663	693,712	-	693,712
Management and general	129,072	-	129,072	123,004	-	123,004
Fundraising	143,198	-	143,198	141,539	-	141,539
Total expenses	<u>932,933</u>	<u>-</u>	<u>932,933</u>	<u>958,255</u>	<u>-</u>	<u>958,255</u>
Change in net assets	3,298	(103,111)	(99,813)	122,144	(95,749)	26,395
Net assets, beginning of year	<u>254,751</u>	<u>128,111</u>	<u>382,862</u>	<u>132,607</u>	<u>223,860</u>	<u>356,467</u>
Net assets, end of year	<u>\$ 258,049</u>	<u>\$ 25,000</u>	<u>\$ 283,049</u>	<u>\$ 254,751</u>	<u>\$ 128,111</u>	<u>\$ 382,862</u>

See accompanying notes to financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total	
Salaries and related expenses	\$ 430,449	\$ 88,622	\$ 113,942	\$ 202,564	\$ 633,013
Office and occupancy	48,524	2,157	3,235	5,392	53,916
Franchise fees	36,910	-	-	-	36,910
Supplies	112,779	30,563	4,063	34,626	147,405
Travel and training expenses	334	371	5,435	5,806	6,140
Outside services	23,371	1,087	2,718	3,805	27,176
Office expenses	2,679	868	501	1,369	4,048
Postage and printing	2,099	2,973	4,863	7,836	9,935
Dues and subscriptions	125	1,780	3,841	5,621	5,746
Miscellaneous	1,500	611	4,600	5,211	6,711
Depreciation	1,893	40	-	40	1,933
Total functional expenses	<u>\$ 660,663</u>	<u>\$ 129,072</u>	<u>\$ 143,198</u>	<u>\$ 272,270</u>	<u>\$ 932,933</u>

See accompanying notes to financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total	
Salaries and related expenses	\$ 416,290	\$ 85,707	\$ 110,195	\$ 195,901	\$ 612,192
Office and occupancy	44,047	1,958	2,936	4,894	48,941
Franchise fees	40,169	-	-	-	40,169
Supplies	146,874	29,966	3,126	33,092	179,966
Travel and training expenses	4,324	20	6,008	6,028	10,352
Outside services	35,561	1,654	4,135	5,789	41,350
Office expenses	496	101	411	512	1,008
Postage and printing	2,397	-	3,742	3,742	6,139
Dues and subscriptions	-	2,124	4,709	6,833	6,833
Miscellaneous	1,661	1,434	6,277	6,833	9,372
Depreciation	1,893	40	-	630	1,933
Total functional expenses	<u>\$ 693,712</u>	<u>\$ 123,004</u>	<u>\$ 141,539</u>	<u>\$ 264,254</u>	<u>\$ 958,255</u>

See accompanying notes to financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (99,813)	\$ 26,395
Adjustments to reconcile the changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,933	1,933
Changes in operating assets and liabilities:		
Grants receivable	72,580	127,526
Contributions receivable	-	(25,000)
Inventory	7,500	(7,500)
Prepaid expenses	(248)	(354)
Accounts payable and accrued expenses	(9,607)	457
Net cash (used in) provided by operating activities	<u>(27,655)</u>	<u>123,457</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,302)	-
Net cash used in investing activities	<u>(4,302)</u>	<u>-</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
(Decrease) increase in cash and cash equivalents	(31,957)	123,457
Cash and cash equivalents at beginning of year	<u>281,603</u>	<u>158,146</u>
Cash and cash equivalents at end of year	<u>\$ 249,646</u>	<u>\$ 281,603</u>
<u>Supplemental disclosure of cash flow information:</u>		
Interest paid	<u>\$ -</u>	<u>\$ 226</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 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 restriction to net assets without donor restriction 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 restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction 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 months or less to be cash equivalents.

Inventory

Inventory is recorded at the lower of cost or net realizable value. Inventory primarily consists of education and program materials.

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, which primarily includes rental income. No provision for income taxes was recorded during the years ended June 30, 2019 or 2018 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.

Note 2 – Summary of Significant Accounting Policies, continued

Income Taxes, continued

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. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Organization's tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing.

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, 2019, 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 necessarily 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. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied retrospectively with no effect on beginning net assets.

Recent Accounting Pronouncements

In June 2018, the FASB issued 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. ASU No. 2018-08 should assist entities in (i) 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 (ii) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of this new standard will have on its financial statements.

Date of Management's Review

Management has evaluated subsequent events through October 17, 2019, the date which the financial statements were available to be issued, for matters that require adjustment to or disclosure in the financial statements.

Junior Achievement of the Palm Beaches & Treasure Coast, Inc.
Notes to Financial Statements

Note 3 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, consist of the following:

Financial assets at June 30, 2019	
Cash and cash equivalents	\$ 249,646
Contributions receivable, current portion	25,000
Total financial assets	<u>274,646</u>
Less: financial assets not available for general expenditure	<u>-</u>
Total financial assets available within one year to meet cash needs for general expenditures	
	<u>\$ 274,646</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>2019</u>	<u>2018</u>
Computer equipment	\$ 5,805	\$ 5,805
Furniture and other equipment	170,325	166,023
	<u>176,130</u>	<u>171,828</u>
Less: accumulated depreciation	(167,675)	(165,742)
Property and equipment, net	<u>\$ 8,455</u>	<u>\$ 6,086</u>

Depreciation expense totaled \$1,933 for each of the years ended June 30, 2019 and 2018.

Note 5 – Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
JA Virtual Finance Park	\$ -	\$ 3,020
JA Middle & High School Programs	-	100,091
JA BizTown	25,000	25,000
	<u>\$ 25,000</u>	<u>\$ 128,111</u>

Note 5 – 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>2019</u>	<u>2018</u>
JA Virtual Finance Park	\$ 3,020	\$ -
JA Middle & High School Programs	100,091	108,249
JA BizTown	-	25,000
Total	<u>\$ 103,111</u>	<u>\$ 133,249</u>

Note 6 – Defined Benefit Pension and Health and Welfare Plans

Multi-employer Pension Plan (Terminated Effective June 30, 2019)

Prior to June 30, 2019, JA USA sponsored a noncontributory defined benefit pension plan (the “Plan”) in which the Organization participated. The Plan was administered by JA USA and covered all full-time employees and employees of participating members of JA USA. The Plan was accounted for as a multi-employer plan. Benefits were determined based on years of service and salary history. The Plan’s assets were invested in various investment funds. Prior to June 30, 2019, the respective participants’ employers were required to fund the Plan, as determined necessary by Junior Achievement USA’s Board of Directors, based on an annual actuarial valuation. JA USA made contributions equal to 16.75% of participants’ eligible compensation.

Effective June 30, 2019, the JA USA Board of Directors approved the termination of the Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan shall liquidate and distribute each participant’s accrued benefits as soon as administratively practicable. The Plan requires that participating employers remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied, and are thereby required to make contributions equal to 13.25% of participants’ eligible compensation.

Additionally, the Plan required that participating members who withdraw from the Plan remain liable for any previous funding obligation under the Plan. Accordingly, JA USA recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of JA USA.

The risks to the Organization of participating in this multi-employer pension plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.
3. If the Organization chooses to stop participating in the Plan, the Organization would be required to pay the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

Note 6 – Defined Benefit Pension and Health and Welfare Plans, continued

Multi-employer Pension Plan (Terminated Effective June 30, 2019), continued

The Organization's participation in this Plan for the annual period ended June 30, 2019 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number. The Plan's funded status available in 2019 and 2018 is for years ended June 30, 2019 and 2018. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

Pension Fund	EIN/Pension Plan Number	Funded Status		Contributions of Organization	
		2019	2018	2019	2018
Retirement Plan for Employees of Junior Achievement USA	13-16335270 PN 333	108%	92%	\$ 51,134	\$ 44,826

The Organization's contributions to the Plan for the years ended June 30, 2019 and 2018 are included in salaries and related expenses in the accompanying statements of functional expenses.

Multi-employer Health and Welfare Plan

JA USA sponsors 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 Organization. Employees of the Organization can participate in the Health and Welfare Plan. All 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 premiums paid to the Plan for the years ended June 30, 2019 and 2018 totaled \$63,173 and \$49,719, respectively, and are included in salaries and related expenses in the accompanying statements of functional expenses.

Note 7 – Leases

The Organization is obligated, pursuant to a lease for its main office location in West Palm Beach, Florida, through August 31, 2020. The Organization also leases certain office equipment under operating leases expiring through May 1, 2024.

Rent expense for the years ended June 30, 2019 and 2018 totaled \$42,553 and \$40,932, respectively, and is included in office and occupancy expenses in the accompanying statements of functional expenses.

Note 7 – Leases, continued

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

<u>Years Ending June 30,</u>	
2020	\$ 46,487
2021	10,773
2022	3,588
2023	3,588
2024	2,990
Total	<u>\$ 67,426</u>

Note 8 – 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, 2019 and 2018 were \$5,724 and \$37,322, respectively.

Note 9 – 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, 2019 and 2018, the Organization incurred \$36,910 and \$40,169, respectively, in franchise fees to JA USA.

Line of Credit

The Organization has a \$50,000 revolving line of credit which bears interest at an annual rate of 6.5% and matures on December 6, 2019. At June 30, 2019 and 2018, there were no amounts drawn on the line.