

JUNIOR ACHIEVEMENT OF SOUTHWESTERN INDIANA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

Junior Achievement of Southwestern Indiana, Inc.

Table of Contents

| | <u>Page</u> |
|-------------------------------------|--------------------|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-16 |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Junior Achievement of Southwestern Indiana, Inc.

We have audited the accompanying statements of financial position of Junior Achievement of Southwestern Indiana, Inc. (a nonprofit organization) as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 Southwestern Indiana, Inc. as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Junior Achievement of Southwestern Indiana, Inc.'s June 30, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Timothy J. O'Brien CPA PC

Evansville, IN
September 3, 2019

Junior Achievement of Southwestern Indiana, Inc.
Statement of Financial Position
As of June 30, 2019
(With Comparative Totals for 2018)

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 481,538 | \$ 474,284 |
| Certificates of Deposits | 25,505 | 50,186 |
| Current Investments | 25,102 | - |
| Pledges Receivable- Deferred Revenue | 14,500 | 12,500 |
| Pledges Receivable | 189,849 | 374,341 |
| Inventory | 4,953 | 20,951 |
| Prepaid Assets | 1,947 | 7,902 |
| Total Current Assets | <u>743,393</u> | <u>940,165</u> |
| Long Term Assets | | |
| Investments | 356,437 | 165,985 |
| Agency Endowment Fund | 96,107 | 91,210 |
| Fixed Assets | | |
| Office Furniture and Equipment | 240,125 | 243,766 |
| Less: Accumulated Depreciation | <u>(118,797)</u> | <u>(103,664)</u> |
| Total Fixed Assets | <u>121,328</u> | <u>140,102</u> |
| Total Long Term Assets | <u>573,871</u> | <u>397,297</u> |
| Total Assets | <u>\$ 1,317,265</u> | <u>\$ 1,337,462</u> |
| LIABILITIES & NET ASSETS | | |
| Current Liabilities | | |
| Accrued Expenses | \$ 50,821 | \$ 50,568 |
| Deferred Revenue | 54,200 | 27,800 |
| Total Current Liabilities | <u>105,021</u> | <u>78,368</u> |
| Net Assets: | | |
| Net Assets without Donor Restrictions | 461,497 | 455,359 |
| Board Designated Net Assets | <u>132,093</u> | <u>125,539</u> |
| Total Net Assets without Donor Restrictions | <u>593,590</u> | <u>580,898</u> |
| Net Assets with Donor Restrictions | <u>618,653</u> | <u>678,196</u> |
| Total Net Assets | <u>1,212,244</u> | <u>1,259,094</u> |
| Total Liabilities and Net Assets | <u>\$ 1,317,265</u> | <u>\$ 1,337,462</u> |

See notes to financial statements

Junior Achievement of Southwestern Indiana, Inc.

Statement of Activities

For the Year Ended June 30, 2019

(With Comparative Totals for 2018)

| | Net Assets Without Donor Restrictions | | Net Assets With Donor Restrictions | | |
|----------------------------------|---------------------------------------|-------------------|------------------------------------|---------------------|---------------------|
| | Operating | Board Designated | Total | 2019 | 2018 |
| Public Support and Revenues | | | | | |
| Contributions: | | | | | |
| Corporate | \$ 286,889 | \$ - | \$ 286,889 | \$ 288,939 | \$ 317,873 |
| Individual | 34,631 | - | 34,631 | 35,131 | 25,505 |
| Foundations | 131,868 | - | 131,868 | 131,868 | 166,010 |
| Total Contributions | <u>453,388</u> | <u>-</u> | <u>453,388</u> | <u>455,938</u> | <u>509,388</u> |
| Special Events- Gross | 338,315 | - | 338,315 | 340,815 | 349,626 |
| Investment Return, net | 7,204 | 6,270 | 13,474 | 13,474 | 9,186 |
| Unrealized Gains and (Losses) | (110) | 284 | 174 | 2,571 | (2,125) |
| Realized Gains and (Losses) | - | - | - | - | 122 |
| In-Kind Contributions | 18,285 | - | 18,285 | 18,285 | 17,600 |
| Other Income | - | - | - | - | 163 |
| Net Assets Released | | | | | |
| Purpose restrictions | 32,490 | - | 32,490 | - | - |
| Time restrictions | 34,500 | - | 34,500 | - | - |
| Total Public Support and Revenue | <u>884,072</u> | <u>6,554</u> | <u>890,626</u> | <u>831,083</u> | <u>883,959</u> |
| Expenses | | | | | |
| Program Services | 609,250 | - | 609,250 | 609,250 | 688,066 |
| Fundraising | 177,382 | - | 177,382 | 177,382 | 165,235 |
| Management and General | 91,302 | - | 91,302 | 91,302 | 82,126 |
| Total Expenses | <u>877,934</u> | <u>-</u> | <u>877,934</u> | <u>877,934</u> | <u>935,426</u> |
| CHANGE IN NET ASSETS | 6,138 | 6,554 | 12,692 | (46,850) | (51,467) |
| TRANSFER OF AGENCY ENDOWMENT | | | | | |
| | - | - | - | - | 91,210 |
| NET ASSETS- beginning of year | <u>455,359</u> | <u>125,539</u> | <u>580,898</u> | <u>1,259,094</u> | <u>1,219,351</u> |
| NET ASSETS- end of year | <u>\$ 461,497.23</u> | <u>\$ 132,093</u> | <u>\$ 593,590</u> | <u>\$ 1,212,244</u> | <u>\$ 1,259,094</u> |

See notes to financial statements

Junior Achievement of Southwestern Indiana, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-------------------|-------------------|
| PROGRAM SERVICES | | |
| Direct Costs: | | |
| Program Expenses | \$ 135,921 | \$ 159,320 |
| Travel, Training & Conferences | 24,542 | 26,445 |
| Marketing | 10,070 | 9,060 |
| Miscellaneous | 10,531 | 7,835 |
| Bad Debts | 4,075 | 10,250 |
| Franchise Fees | 37,421 | 29,331 |
| | <u>222,560</u> | <u>242,240</u> |
| Allocated Costs: | | |
| Salaries & Benefits | 327,983 | 373,378 |
| Other Allocated Management & General | 58,706 | 72,448 |
| | <u>386,689</u> | <u>445,825</u> |
| Total Program Services | <u>609,250</u> | <u>688,066</u> |
| FUNDRAISING | | |
| Direct Costs: | | |
| Special Events | 118,305 | 106,574 |
| Allocated Costs: | | |
| Salaries & Benefits | 50,109 | 49,129 |
| Other Allocated Management & General | 8,969 | 9,533 |
| | <u>59,078</u> | <u>58,661</u> |
| Total Fundraising | <u>177,382</u> | <u>165,235</u> |
| MANAGEMENT AND GENERAL | | |
| Salaries & Benefits | 455,532 | 491,286 |
| Supplies & Computers | 7,646 | 10,955 |
| Miscellaneous | 1,032 | 1,456 |
| Facilities, Ins., & Utilities | 48,583 | 49,410 |
| Professional Fees | 5,500 | 14,739 |
| Depreciation | 18,775 | 18,767 |
| Subtotal | 537,068 | 586,612 |
| Less: Allocated to Program Services | (386,689) | (445,825) |
| Less: Allocated to Fundraising | (59,078) | (58,661) |
| Total Management and General | <u>91,302</u> | <u>82,126</u> |
| | <u>\$ 877,934</u> | <u>\$ 935,426</u> |

See notes to financial statements

Junior Achievement of Southwestern Indiana, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (46,850) | \$ (51,467) |
| Adjustments to Reconcile Increase (Decrease) in Net Assets to net cash provided by operating activities: | | |
| Depreciation | 18,775 | 18,767 |
| Realized and Unrealized (gains) or losses | (2,571) | 2,003 |
| (Increase) Decrease in Operating Assets: | | |
| Accounts Receivable- Deferred Revenue | (2,000) | 27,000 |
| Pledges Receivable | 184,493 | 79,471 |
| Prepaid Expenses | 5,955 | (1,765) |
| Inventory | 15,998 | (7,975) |
| Increase (Decrease) in Operating Liabilities: | | |
| Accrued Expenses | 253 | 11,190 |
| Deferred Revenue | 26,400 | (41,620) |
| Net Cash Provided (Used) by Operating Activities | <u>200,453</u> | <u>35,603</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | - | (16,335) |
| Purchase of Investments | (218,200) | (2,074) |
| Proceeds from Sales of Investments | 25,000 | 41,000 |
| Net Cash Provided (Used) by Investing Activities | <u>(193,200)</u> | <u>22,591</u> |
| Net Increase (Decrease) in Cash | 7,253 | 58,195 |
| Cash- beginning of year | <u>474,284</u> | <u>416,090</u> |
| Cash- end of year | <u><u>\$ 481,538</u></u> | <u><u>\$ 474,284</u></u> |
| Supplemental Cash Disclosures: | | |
| Donated materials and services | \$ 18,285 | \$ 17,600 |

See notes to financial Statements

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

Junior Achievement's mission is to inspire and prepare young people to succeed in the global economy. Our vision is to equip the next generation of leaders with the knowledge, skills, and capacity to be 100% ready to be successful, providing opportunities to reach higher standards of living in their communities and ultimately driving the economic development of our city, region, and nation.

With \$1.6 trillion in student loan debt, 8 million unfilled US jobs, a 23% decrease in start-ups since 2007, and technology changing the way we work and the landscape of high demand jobs, our young people are facing the challenge of preparing to compete in an increasingly complex, rapidly changing, and global economy.

Junior Achievement believes no one can improve their circumstances without a belief in themselves and a sense of purpose. By showing kindergarten through twelfth grade students how money, careers, and business ownership work through proven programs along with the help and mentorship of volunteer role models from the community, Junior Achievement is empowering students to have a belief in themselves supported by a foundation of real-world life skills.

Because of the regard demonstrated by so many in the community for our young people, students are receiving life-changing financial literacy, work readiness and entrepreneurship education. In the process, students are connecting classroom learning to the real world, which allows them to recognize the value of staying in school, increasing the likelihood they will graduate and make their best informed post-secondary decision to enroll in higher education, enlist in the military, or enter straight into the workforce. Simply put, Junior Achievement inspires students to go from "I can't" to "I CAN!" to "I WILL!"

This past year, Junior Achievement of Southwestern Indiana (JASWIN) provided JA experiences to 34% of the K-12 students in our service area. In fact, during the 2018/19 academic school year, JASWIN served a total of 28,551 students in 1,308 classes in 15 counties in Southwestern Indiana and Southeastern Illinois resulting in 157,672 hours spent between volunteers and the students they inspire.

Basis of Accounting

The financial statements of Junior Achievement of Southwestern Indiana, Inc. are prepared on the accrual basis, where revenues are recognized when earned and expenditures are recognized when incurred.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions- These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions- These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Income Tax Status

The Organization is recognized as a non-profit organization, under Section 501(c)(3) of the Internal Revenue Code, by both federal and state taxing authorities and is exempt from income taxes. The Organization has been determined to not be a private foundation. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Pledges Receivable

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net asset with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional gifts expected to be collected within one year are reported as their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows unless considered immaterial. The resulting discount is amortized using straight line method and is reported as contribution revenue.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

Pledges Receivable (Con't)

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

A provision for doubtful pledges receivable has not been established as management considers all accounts to be collectible. Management closely monitors outstanding balances throughout the year and writes off to bad debts all balances that are considered uncollectible.

Investments

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 Inputs- Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs- Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs- Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

Inventory

Inventory consists of program supplies and is stated at the Organization's cost for the years ended June 30, 2019 and 2018, respectively.

Reclassifications

Certain amounts in the June 30, 2018 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2019 financial statements.

Deferred Revenue

Sponsorships and fees received in advance for future events are recorded as deferred revenue. Recognition of revenue occurs when the event takes place.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

Equipment and Depreciation

Equipment is carried at cost, if purchased, or fair market value, if donated. Expenditures for equipment costing in excess of \$500 or that materially increase the estimated useful life of assets are capitalized. Maintenance and repairs are charged to expense as incurred. Gains or losses on the disposition of property are recognized. Proceeds from the disposition of property are transferred to the current unrestricted fund unless restricted by the donor of the property. Depreciation is computed on the straight-line method based on estimated useful lives ranging from 5-15 years. Depreciation expense for the years ended June 30, 2019 and 2018 were \$18,775 and \$18,767, respectively.

Concentration of Support and Revenue Sources

Support and revenue from two special events represent 34% and 32% of total support and revenue for the years ended June 30, 2019 and 2018, respectively. The current level of the Organization's operations and program services could potentially be financially impacted without funding from these special events.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in the total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, costs have been allocated among the program and services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been classified based on the actual direct expenditures and cost allocation based on time estimates made by management. Salaries and benefits, supplies and computers, miscellaneous, facilities, insurance, utilities, professional fees and depreciation are allocated based on time estimates.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended June 30, 2019 and 2018 were \$10,070 and \$9,060, respectively.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has applied the changes retroactively to the comparative period. There is no effect on the net assets or change in net assets of the Organization due to the implementation of this new standard. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The restricted net asset class has been renamed *net assets with donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 14).
- The financial statements expand the disclosure requirements of functional expenses related to the allocation of expenses to include a description of the methods used to allocate those expenses (Note 1).

NOTE 2- INVESTMENTS

Investment securities are stated at fair value using observable inputs (Level 1 inputs) and consist of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|--------------|-------------------|-------------------|
| Fixed Income | \$ 50,892 | \$ 51,203 |
| Equities | <u>330,647</u> | <u>114,782</u> |
| | <u>\$ 381,539</u> | <u>\$ 165,985</u> |

| | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|
| Investment return is summarized as follows: | | |
| Interest and Dividend income (including cash balances and certificates of deposits) | \$ 9,603 | \$ 9,186 |
| Net realized and unrealized gains (losses) | <u>174</u> | <u>(2,003)</u> |
| Total unrestricted investment income | <u>\$ 9,777</u> | <u>\$ 7,183</u> |

NOTE 3- DONATED EQUIPMENT AND SERVICES

Various items and services have been donated to the Organization and are recorded at their estimated fair value at the date of the donation. The value of these items for the year ended June 30, 2019 and 2018 were \$18,285 and \$17,600, respectively.

The Organization receives donated services from a variety of unpaid volunteers to assist in the programs of Junior Achievement. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 4- RETIREMENT PLAN

The Organization has established a (SIMPLE IRA) retirement plan. Under the plan, employees may contribute up to \$12,500 (\$15,500 for employees who will be at least fifty by the end of the year) of their pre-tax compensation and the Organization will match up to 3% of each participating employee's pretax contribution. Plan expenses incurred for the years ended June 30, 2019 and 2018 were \$10,046 and \$10,065, respectively.

NOTE 5- LEASE COMMITMENTS

On August 1, 2012, the Organization entered into a sixty-month lease beginning November 1, 2012 to lease office space. On May 30, 2017, the Organization elected to extend the initial term of the lease for an additional five-year period beginning November 1, 2017 and ending October 31, 2022. Total rent expense for the years ended June 30, 2019 and 2018 were \$28,095 and \$26,883, respectively. Future minimum annual lease payments are as follows:

Years Ending June 30,

2020 \$ 28,095

2021 28,095

2022 9,364

\$ 65,554

NOTE 6 – RISKS AND UNCERTAINTIES

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents. At times, such cash and cash equivalents in banks may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. Credit risk with respect to cash and cash equivalents is minimized by using high-credit quality financial institutions. At June 30, 2019 and 2018, the Organization had \$183,566 and \$179,698 in excess of federally insured limits, respectively.

The Organization invests or holds a variety of investment vehicles, including mutual funds and corporate bonds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Organization's investments, which could materially affect amounts reported in the financial statements. Investments held by a broker in customer accounts are protected against physical loss and theft by the Securities Investor Protection Corporation (SIPC).

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 7 – DEFERRED REVENUE

Deferred revenue when invoiced is recorded as accounts receivable and an offsetting entry to deferred revenue. For the years ended June 30, 2019 and 2018, \$14,500 and \$12,500 was outstanding, respectively. Deferred revenue consisted of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|------------------|------------------|
| Fundraising Events | \$ 40,750 | \$ 27,500 |
| Programs & Activities | <u>13,450</u> | <u>300</u> |
| | <u>\$ 54,200</u> | <u>\$ 27,800</u> |

NOTE 8- PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|-------------------|-------------------|
| Due within one year | \$ 178,499 | \$ 254,076 |
| Due in one to five years | <u>11,350</u> | <u>120,265</u> |
| | <u>\$ 189,849</u> | <u>\$ 374,341</u> |

No pledges due in one to five years were recorded at present value because of immateriality.

NOTE 9- ENDOWMENT FUND- BOARD DESIGNATED

As of June 30, 2019, the Board of Directors has designated \$132,093 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Organization has a spending policy of appropriating 4% of the average of the prior three December 31 (year-end) balances, calculated on January 1 and available for distribution immediately following calculation upon the board's discretion. A distribution left in the endowment will be considered part of the corpus of the endowment and not be available for distribution at a later date.

To achieve this objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which included equities and fixed income securities, that, is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% while still growing the fund.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 9- ENDOWMENT FUND- BOARD DESIGNATED (Con't)

Composition of and changes in endowment net assets for the year ended June 30, 2019 are as follows:

| | |
|---|-------------------|
| Board –designated endowment net assets, beginning of year | \$ 125,539 |
| Contributions | 0 |
| Investment Income | 6,270 |
| Unrealized Gains or (Losses) | <u>284</u> |
| Board Designated endowment net assets, end of year | <u>\$ 132,093</u> |

NOTE 10- NET ASSETS WITH DONOR RESTRICTIONS

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

| | | |
|-----------------------------------|-------------------|-------------------|
| Specific purpose: | <u>2019</u> | <u>2018</u> |
| Inspiring Youth | \$ 496,826 | \$ 528,816 |
| Passage of time: | | |
| Programs (Adopt a School Program) | 25,720 | 58,170 |
| Agency Endowment (Note 11) | <u>96,107</u> | <u>91,210</u> |
| | <u>\$ 618,653</u> | <u>\$ 678,196</u> |

NOTE 11- AGENCY ENDOWMENT FUND

In 2018, Junior Achievement of Southwestern Indiana, Inc. Dubois County established an Endowment Fund with the Dubois County Community Foundation, Inc. of which the funds were subsequently transferred to the Organization. The Organization has granted the Foundation variance power which gives the Foundation's Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies. The fair value of the Fund is recorded as an Agency Endowment Fund in the statement of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities.

| | |
|--------------------------|------------------|
| Balance at July 1, 2018 | \$ 91,210 |
| Contributions | 2,500 |
| Share of Appreciation | 5,827 |
| Distributions | <u>(3,430)</u> |
| Balance at June 30, 2019 | <u>\$ 96,107</u> |

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 12- RELATED PARTY TRANSACTIONS

In accordance with the operating agreement with Junior Achievement USA, annual program and support fees are charged to the Organization. These fees are calculated according to specific formulas as outlined in the operating agreement. The program and support fee in any given year is paid over ten monthly installments based on the total reported revenue of the previous audited year. During 2019 and 2018, fees of \$37,421 and \$29,331, respectively, were charged to the Organization.

The Organization also purchases substantially all of its program materials from Junior Achievement USA and Junior Achievement Supply Company (JASCO), a division of Junior Achievement USA. Also, the Organization obtains a portion of its liability insurance and all of its medical insurance through Junior Achievement USA. Total payments to these affiliates for these purchases were \$131,694 and \$159,432 during 2019 and 2018 respectively. As of June 30, 2019, and June 30, 2018, there were no amounts due to Junior Achievement USA.

For the years ended June 30, 2019 and 2018 the Organization received contributions, special events revenue, and various donated supplies, equipment, and services of \$227,174 and \$213,546, respectively for operations from various members of the Board or Directors and their related companies. As of June 30, 2019, and 2018, outstanding pledges of \$54,410 and \$40,425, respectively, were due from these parties.

The Organization also holds cash and investments in financial institutions at which various members of the Board of Directors serve as executives. Fees paid to these institutions were minimal in 2019 and 2018.

The Organization from time to time purchases goods and services from businesses at which various members of the Board of Directors serve as executives. Payments to these businesses were minimal in 2019 and 2018.

NOTE 13- HEALTH AND WELFARE BENEFITS TRUST

The Organization 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, JA Worldwide, Inc. and employees of Junior Achievement USA chapters 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.

Junior Achievement of Southwestern Indiana, Inc.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 14- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary sources of support are from contributions and special events. The Organization's objective is to maintain liquid financial assets without donor restrictions to cover six months of program expenditures. From time to time the level of liquid financial assets without donor restrictions has varied and will continue to vary as a result of the timing receipts and payments and particular cash needs. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining reserves to provide reasonable assurance that long-term obligations will be discharged. As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. This includes investing excess cash in mutual funds and certificates of deposits. The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year.

| | |
|---|-------------------|
| | <u>2019</u> |
| Total financial assets | \$ 1,189,038 |
| Less those unavailable for general expenditures within one year due to: | |
| Purpose restrictions | (496,826) |
| Endowment Fund | <u>(96,107)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 596,105</u> |

NOTE 15- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through September 3, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.