

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
FINANCIAL REPORT
JUNE 30, 2020

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to the Financial Statements	9 – 20

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Junior Achievement of Southern California, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Achievement of Southern California, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon 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 Organization'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 Organization'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 the Organization as of June 30, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Singer Lewak LLP

October 29, 2020

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,331,565	\$ 874,623
Promises to give	1,062,611	1,073,627
Special events receivable	125,300	46,374
Investments	8,311	35,092
Prepaid expenses and other current assets	<u>123,689</u>	<u>66,149</u>
Total current assets	2,651,476	2,095,865
Noncurrent assets		
Promise to give	-	722,250
Property and equipment, net	<u>3,120,570</u>	<u>3,196,912</u>
Total assets	<u>\$ 5,772,046</u>	<u>\$ 6,015,027</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 271,561	\$ 216,135
Deferred revenue	630,936	159,285
Grant advance	347,193	-
Notes payable	<u>332,768</u>	<u>-</u>
Total current liabilities	1,582,458	375,420
Noncurrent liabilities		
Notes payable	<u>149,900</u>	<u>1,541,184</u>
Total liabilities	<u>1,732,358</u>	<u>1,916,604</u>
Net assets		
Without donor restrictions		
Undesignated	2,819,522	2,174,516
Board-designated	<u>775,114</u>	<u>1,125,023</u>
	3,594,636	3,299,539
With donor restrictions	<u>445,052</u>	<u>798,884</u>
Total net assets	<u>4,039,688</u>	<u>4,098,423</u>
Total liabilities and net assets	<u>\$ 5,772,046</u>	<u>\$ 6,015,027</u>

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total	2019
Revenue and other support				
Contributions				
Corporate	\$ 1,064,392	\$ -	\$ 1,064,392	\$ 966,831
Individual	161,565	490,491	652,056	1,309,603
Foundations	134,200	-	134,200	1,616,900
In-kind	217,697	-	217,697	115,824
Cause-related marketing	57,830	-	57,830	101,478
	<u>1,635,684</u>	<u>490,491</u>	<u>2,126,175</u>	<u>4,110,636</u>
Total contributions				
Special events, gross	923,895	-	923,895	1,781,855
Less direct benefits to donors	(270,168)	-	(270,168)	(571,222)
	<u>653,727</u>	<u>-</u>	<u>653,727</u>	<u>1,210,633</u>
Special events, net				
Settlement revenue	-	-	-	1,121,579
Finance Park sponsorships	255,001	-	255,001	267,500
Program services	160,734	-	160,734	121,170
Other income	78,049	-	78,049	157,302
Net assets released from restriction	844,323	(844,323)	-	-
	<u>3,627,518</u>	<u>(353,832)</u>	<u>3,273,686</u>	<u>6,988,820</u>
Total revenue and other support				
Expenses				
Program services	2,332,902	-	2,332,902	2,390,045
Supporting services				
Management and general	259,107	-	259,107	374,447
Fundraising	740,412	-	740,412	707,221
	<u>999,519</u>	<u>-</u>	<u>999,519</u>	<u>1,081,668</u>
Total supporting services				
Total expenses	<u>3,332,421</u>	<u>-</u>	<u>3,332,421</u>	<u>3,471,713</u>
Change in net assets	<u>295,097</u>	<u>(353,832)</u>	<u>(58,735)</u>	<u>3,517,107</u>
Net assets, beginning of year	<u>3,299,539</u>	<u>798,884</u>	<u>4,098,423</u>	<u>581,316</u>
Net assets, end of year	<u>\$ 3,594,636</u>	<u>\$ 445,052</u>	<u>\$ 4,039,688</u>	<u>\$ 4,098,423</u>

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions			
Corporate	\$ 966,831	\$ -	\$ 966,831
Individual	147,464	1,162,139	1,309,603
Foundations	1,614,400	2,500	1,616,900
In-kind	115,824	-	115,824
Cause-related marketing	101,478	-	101,478
	<u>2,945,997</u>	<u>1,164,639</u>	<u>4,110,636</u>
Special events, gross	1,781,855	-	1,781,855
Less direct benefits to donors	(571,222)	-	(571,222)
	<u>1,210,633</u>	<u>-</u>	<u>1,210,633</u>
Settlement revenue	1,121,579	-	1,121,579
Finance Park sponsorships	267,500	-	267,500
Program services	121,170	-	121,170
Other income	157,302	-	157,302
Net assets released from restriction	692,640	(692,640)	-
	<u>6,516,821</u>	<u>471,999</u>	<u>6,988,820</u>
Expenses			
Program services	2,390,045	-	2,390,045
Supporting services			
Management and general	374,447	-	374,447
Fundraising	707,221	-	707,221
	<u>1,081,668</u>	<u>-</u>	<u>1,081,668</u>
	<u>3,471,713</u>	<u>-</u>	<u>3,471,713</u>
Change in net assets	<u>3,045,108</u>	<u>471,999</u>	<u>3,517,107</u>
Net assets, beginning of year	<u>254,431</u>	<u>326,885</u>	<u>581,316</u>
Net assets, end of year	<u>\$ 3,299,539</u>	<u>\$ 798,884</u>	<u>\$ 4,098,423</u>

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total	2019
Salaries	\$ 1,035,563	\$ 126,722	\$ 379,300	\$ 1,541,585	\$ 1,552,191
Employee benefits	138,198	16,448	51,679	206,325	190,495
Employee pension	108,325	13,657	39,386	161,368	200,502
Payroll taxes	81,243	10,029	29,574	120,846	116,174
Bank charges	-	21,887	-	21,887	30,864
Depreciation and amortization	154,236	16,432	65,852	236,520	223,695
Dues and subscriptions	5,027	542	2,136	7,705	6,975
Franchise and Capstone fee	238,717	-	-	238,717	93,095
In-kind	81,028	13,041	27,027	121,096	115,824
Insurance	10,321	826	3,137	14,284	14,234
Interest	55,419	5,904	23,661	84,984	195,276
Miscellaneous	7,867	714	2,717	11,298	6,931
Office maintenance	37,289	2,509	9,788	49,586	61,841
Office supplies	7,175	730	2,656	10,561	8,048
Outside services	116,035	12,333	48,394	176,762	181,145
Postage	1,744	227	674	2,645	2,963
Program materials and insurance	86,448	-	-	86,448	203,395
Personnel recruitment	7,539	970	2,933	11,442	4,278
Property taxes	1,944	207	830	2,981	4,374
Recognition & awareness	15,336	1,452	5,741	22,529	47,894
Special events	-	-	270,168	270,168	571,222
Technology	57,314	6,245	18,108	81,667	80,600
Telephone	34,650	4,536	13,344	52,530	46,979
Training and conferences	4,113	-	-	4,113	1,561
Travel	10,028	1,295	3,854	15,177	30,015
Utilities	37,343	2,401	9,621	49,365	52,364
Total expenses by function	2,332,902	259,107	1,010,580	3,602,589	4,042,935
Less direct special event expenses included with revenues	-	-	(270,168)	(270,168)	(571,222)
	\$ 2,332,902	\$ 259,107	\$ 740,412	\$ 3,332,421	\$ 3,471,713

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,024,572	\$ 171,361	\$ 356,258	\$ 1,552,191
Employee benefits	125,604	20,932	43,959	190,495
Employee pension	131,521	22,567	46,414	200,502
Payroll taxes	76,819	12,820	26,535	116,174
Bank charges	-	30,864	-	30,864
Depreciation and amortization	154,736	24,297	44,662	223,695
Dues and subscriptions	4,391	789	1,795	6,975
Franchise and Capstone fee	93,095	-	-	93,095
In-kind	77,177	13,370	25,277	115,824
Insurance	8,960	1,611	3,663	14,234
Interest	135,077	21,211	38,988	195,276
Miscellaneous	4,408	791	1,732	6,931
Office maintenance	42,983	5,761	13,097	61,841
Office supplies	6,110	638	1,300	8,048
Outside services	114,847	20,319	45,979	181,145
Postage	1,983	325	655	2,963
Program materials and insurance	203,395	-	-	203,395
Personnel recruitment	2,769	481	1,028	4,278
Property taxes	2,753	495	1,126	4,374
Recognition & awareness	32,291	4,874	10,729	47,894
Special events	-	-	571,222	571,222
Technology	55,703	8,160	16,737	80,600
Telephone	30,610	5,380	10,989	46,979
Training and conferences	1,561	-	-	1,561
Travel	19,898	3,253	6,864	30,015
Utilities	38,782	4,148	9,434	52,364
Total expenses by function	2,390,045	374,447	1,278,443	4,042,935
Less direct special event expenses included with revenues	-	-	(571,222)	(571,222)
	<u>\$ 2,390,045</u>	<u>\$ 374,447</u>	<u>\$ 707,221</u>	<u>\$ 3,471,713</u>

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

STATEMENTS OF CASH FLOWS Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (58,735)	\$ 3,517,107
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	221,236	208,411
Amortization of debt issuance costs	15,284	15,284
Donated building improvements	(96,601)	-
Changes in operating assets and liabilities:		
Promises to give	733,266	(1,604,727)
Special events receivable	(78,926)	32,143
Prepaid expenses and other current assets	(57,540)	(11,770)
Investments	26,781	(35,092)
Accounts payable and accrued expenses	55,426	(8,024)
Deferred revenue	471,651	1,744
Net cash provided by operating activities	1,231,842	2,115,076
Cash flows from investing activities		
Purchases of building improvements	(48,293)	-
Net cash used in investing activities	(48,293)	-
Cash flows from financing activities		
Proceeds from grant advance	347,193	-
Proceeds from issuance of note payable	149,900	-
Principal payments on note payable	(1,223,700)	(1,791,292)
Net cash used in financing activities	(726,607)	(1,791,292)
Net increase in cash and cash equivalents	456,942	323,784
Cash and cash equivalents, beginning of year	874,623	550,839
Cash and cash equivalents, end of year	\$ 1,331,565	\$ 874,623
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 84,984	\$ 195,276

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS

Organization

Junior Achievement of Southern California, Inc. (the “Organization”) was founded in 1954 as a California not-for-profit corporation and inspires kids to achieve at the business of life through a community-based partnership of educators, volunteers, and businesses. The Organization operates out of offices in the Los Angeles and Orange County areas of Southern California.

The Organization reaches an annual average of 33,495 students in grades K–12. The Organization provides hands-on and virtual lessons in financial literacy, entrepreneurship, and work readiness, to each student and is aided in its work by nearly 1,821 volunteers annually – dedicated working professionals, MBA students, and community leaders – who work each day to help the Organization achieve its mission “to inspire and prepare young people to succeed in a global economy.” The Organization impacts students from all social and economic backgrounds, with approximately 69% classified as low to moderate income, and 94% attending public schools.

In order for the Organization to continue providing this invaluable learning experience to youth and to support its strategic plan and growth goals, the Organization embarked upon a fundraising campaign (“Campaign for Kids” aka “C4K”) during the fiscal year ended June 30, 2019. The first phase of the C4K campaign was established to eliminate debt on Junior Achievement of Southern California’s (aka JA So Cal) “Finance Park” facility, which is designed to provide a “live” financial literacy simulation for middle and high school students. The Organization called on its board of directors and closest supporters to help fund its Finance Park facility during Phase I of this campaign. Through a generous family foundation contribution and the 100% participation of all board members in the campaign, the Organization has secured funding to eliminate all debt related to the Finance Park facility by February 2021.

The initial construct of Phase II of the “Campaign for Kids” will take into account the impact of the current global pandemic, and will launch in 2021 and continue through 2022. Phase II of the Campaign will focus on the support and expansion of educational programs to youth, and the establishment of an endowment for the purpose of establishing a principal corpus to grow over time, and provide annual investment income for programs, operations, or purposes specified by the donor(s) to the campaign.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Cash Equivalents

The Organization considers all time deposits, certificates of deposit, and highly liquid, unrestricted investments with a maturity of three months or less at the purchase date to be cash equivalents.

Investments

Investments are presented at fair value based on quoted market prices. Changes in fair value are recognized in the statement of activities as gains or losses.

Contributions Receivable

The Organization records contributions receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was made and received.

Property and Equipment

Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair value at the date of contribution. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Building and improvements	30 years
Equipment and furnishings	3 to 7 years

Amortization of equipment under capital leases is included in depreciation expense.

Impairment of Long-lived Assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities (asset group). If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeds its fair value. However, the carrying amount can never be written down below its fair value. Management determined that no impairment of long-lived assets existed during the year-ending June 30, 2020 and 2019.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue includes payments received for conditional contributions and sponsorships are recorded as deferred revenue until the conditions or events on which they depend have been substantially met.

Grant Advance

The Organization follows the government grant model for the Payroll Protection Program (PPP) loan in accordance with U.S. GAAP and the conditional barrier is reasonable assurance that the expenses paid with loan proceeds are eligible for forgiveness. The Organization expects the PPP loan will be forgiven during the year ending June 30, 2021, and the grant advance is presented as a current liability.

Debt Issuance Costs

Costs associated with the Organization's note payable are amortized over the term of the financing agreement using the straight-line method, which approximates amortization using the effective interest method.

Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701(d). The Organization does not have any revenue which it believes would subject it to unrelated business income taxes.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. To date, the Organization has not recognized any uncertain tax positions and, accordingly, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

During March 2020, the CARES Act was signed into law and includes changes to the Internal Revenue Code. The Organization is currently evaluating the impact of the CARES Act.

Net Assets

Net assets and changes therein are classified and reported as follows:

- *Without Donor Restrictions*—net assets that are not subject to donor-imposed stipulations or donor-restricted may be expended for any purpose in performing the objectives of the Organization. Net assets without donor restrictions may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties. Board-designated net assets consist of funds for the “Campaign4Kids” campaign, which is intended to eliminate the Organization's debt within the next fiscal year and expand programs and services over the next five years.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

- *With Donor Restrictions*—net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. As restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Revenue Recognition

The Organization's revenue recognition policies are as follows:

Unconditional promises to give – Promises to give are recognized when cash, securities or other assets, contributions, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Programs – Program service fees are deferred to the applicable period in which the related services are performed.

Settlement – The Organization recognizes settlement revenue for *cy pres* awards upon collection.

Special events – The Organization conducts several special events during the year to raise money in support of its operations. The amounts reflected in these financial statements represent special events revenue, net of related direct costs and benefits to donors. The contributions received for special events scheduled to occur after year end are recorded as deferred revenue and recognized as revenue on the date of the event.

Finance Park Sponsorships – The Organization recognizes the Finance Park sponsorship revenues at the earlier of when funds are collected or notification is received from the sponsor of an unconditional commitment.

Campaign4Kids – Revenue is recognized at the earlier of when funds are collected or notification is received from the donor of an unconditional commitment to the campaign.

Donated Materials and Services

Contributions of donated materials are recorded at fair value in the period received. Contributions of 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 contribution, and are recorded at fair value in the period received.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services (Continued)

For the year ended June 30, 2020, donated materials and services totaled \$107,480 and \$110,217, respectively. For the year ended June 30, 2019, donated materials and services totaled \$77,204 and \$38,620, respectively.

Numerous unpaid volunteers and organizations have made significant contributions of their time to develop the Organization's programs, principally in instruction and student activities. The value of these services is not reflected in the financial statements, since an objective measurement of valuation cannot be determined, and specialized skills are not required. During the year ended June 30, 2020, 1,821 volunteers donated in-kind educational/training service for a total of 13,917 hours. During the year ended June 30, 2019, 3,643 volunteers donated in-kind educational/training service for a total of 23,004 hours.

Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to that related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated by management's best assessment of the nature of the expense and use of employee time distribution by service. The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses.

Change in Accounting Principles

During the year ended June 30, 2020, the Organization adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification and improvement on the scope and the accounting guidance for contributions received and contributions made. The Organization adopted ASU 2018-08 using the modified retrospective approach and the adoption did not have an effect on the financial statements.

Recent Accounting Pronouncements

During May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective, and permits the use of either a full retrospective, or retrospective with cumulative effect, transition method. During June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2015-14 to fiscal years beginning after December 15, 2019. Management believes the impact of its pending adoption of the new standard on its financial statements will be minimal.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (continued)

During February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management believes the impact of its pending adoption of the new standard on its financial statements will be minimal.

During September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances the presentation and disclosures requirements in U.S. GAAP to provide transparency of contributed nonfinancial assets including fixed assets (such as, land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The new standard should be applied on a retrospective basis. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021 and early adoption is permitted. Management believes the impact of its adoption of the new standard on its financial statements will be minimal.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Organization’s financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. Amounts not available include funds restricted or board designated to the elimination of debt and the expansion of specific programs as more fully described in Note 8.

	2020	2019
Cash and cash equivalents	\$ 1,331,565	\$ 874,623
Promise to give	1,062,611	1,795,877
Special events receivables	125,300	46,374
Investments	8,311	35,092
Total financial assets	2,527,787	2,751,966
Donor-restricted receivable	(418,167)	(619,499)
Board-designated net assets	(775,114)	(1,125,023)
Amounts not available for general expenditures	(1,193,281)	(1,744,522)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,334,506	\$ 1,007,444

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RISKS AND UNCERTAINTIES

Risks

Credit risk is the risk of failure of another party to perform in accordance with the financial contract terms. Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of the following:

The Organization maintains its bank accounts at high-quality financial institutions and cash in these accounts may exceed the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

The Organization routinely assesses the financial strength of these contributors and believes that the contributions and special events receivables credit risk exposure is limited. As of and for the year ended June 30, 2020, three donors represented 12% of contribution revenue and 58% of contributions receivable. As of and for the year ended June 30, 2019, two donors represented 44% of contribution revenue and 65% of contributions receivable.

Uncertainties

During March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The disruption resulting from the COVID-19 pandemic is currently expected to be temporary, but there is considerable uncertainty around the duration and the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 5 – PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Land	\$ 1,700,000	\$ 1,700,000
Building and improvements	6,186,860	6,186,860
Equipment and furnishings	697,096	552,202
	8,583,956	8,439,062
Accumulated depreciation	(5,463,386)	(5,242,150)
	<u>\$ 3,120,570</u>	<u>\$ 3,196,912</u>

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NOTES PAYABLE

During February 2018, the Organization issued a note payable to a community development financial institution that bears interest at 6.00% and requires monthly interest payments through March 2021, at which time the total balance of outstanding principal and interest is due. The note is secured by the Organization’s corporate office and Mike Curb Learning Center.

During June 2020, the Organization received an Economic Injury Disaster Loan (EIDL) from the U.S. Small Business Administration (SBA) for \$149,900. The EIDL requires monthly payments of \$641 starting in June 2021, bears interest at 2.75%, matures in June 2050, and is secured by substantially all assets of the Organization. Management’s intentions are to retire these balances as of March 2021.

As of June 30, 2020 and 2019, the carrying amount of the notes payable consists of the following:

	2020	2019
EIDL payable to SBA	\$ 149,900	\$ -
Notes payable to bank	342,957	1,566,658
Debt issuance costs, net	(10,189)	(25,474)
	\$ 482,668	\$ 1,541,184

The Organization incurred debt issuance costs totaling \$45,853 in connection with the note payable refinancing. As of June 30, 2020 and 2019, accumulated amortization was \$35,664 and \$20,379, respectively.

Grant Advance

During April 2020, the Organization was informed by a bank that the SBA approved the Organization’s request for a loan under the SBA’s Paycheck Protection Program (PPP) as authorized under the CARES Act. The Organization signed a promissory note of \$347,193 for the PPP loan and, in accordance with the CARES Act, the Organization’s intent to use the PPP loan proceeds for eligible costs that should result in forgiveness of the PPP loan. The PPP loan bears interest at 1.0% and will mature on April 29, 2022. In accordance with U.S. GAAP, the PPP loan is reported as a grant advance.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Organization leases office equipment under several noncancelable operating leases, expiring at various dates through May 2025, which require aggregate monthly payments of \$2,756 as of June 30, 2020.

As of June 30, 2020, minimum lease payments required under these operating leases for future years ending June 30 are as follows:

2021	\$ 32,094
2022	11,523
2023	11,523
2024	11,523
2025	<u>10,159</u>
	<u>\$ 76,822</u>

For the years ended June 30, 2020 and 2019, rent expense relating to these leases totaled \$27,941 and \$26,639, respectively, which is included within technology expense and postage expense.

NOTE 8 – NET ASSET WITH DONOR RESTRICTIONS

As of June 30, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose:		
Hickman Fund – Finance Park services	\$ 26,885	\$ 26,885
Campaign4Kids – Fund completion for Finance Park and expansion of program services	418,167	619,499
Foundation – Programing services	<u>-</u>	<u>2,500</u>
	445,052	648,884
Subject to the passage of time:		
Operating purpose	<u>-</u>	<u>150,000</u>
	<u>\$ 445,052</u>	<u>\$ 798,884</u>

As of June 30, 2020, board-designated net assets totaled \$500,000 which is designated to eliminate the debt by February 2021 and expand programming services.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – RELATED PARTY TRANSACTIONS

The Organization is required to pay a franchise fee to the United States headquarters of Junior Achievement, Inc. (JAUSA) based on the amount of certain qualifying contributions received. In addition, payments are made to JAUSA for the employee retirement plan (see Note 10), employee insurance, program materials, and training conferences. For the years ended June 30, 2020 and 2019, the following is a summary of transactions with JAUSA:

	2020	2019
Franchise and Capstone fee	\$ 238,717	\$ 93,095
Program materials and program insurance	65,917	174,844
Retirement plan	161,368	200,502
Employee benefits	238,592	218,197
	\$ 704,594	\$ 686,638

As of June 30, 2020 and 2019, the Organization had amounts payable to JAUSA of \$5,130 and \$0, respectively, which are included in accounts payable and accrued expenses.

The Organization’s board directors serve as the board of directors or partners of other entities. For the years ended June 30, 2020 and 2019, amounts contributed by these board of directors and the associated entities totaled \$943,616 and \$1,646,342, respectively, and were included in contributions and special event revenue, of which \$588,636 and \$796,789 are included in accounts receivable as of June 30, 2020 and 2019, respectively.

NOTE 10 – MULTIEMPLOYER PENSION PLAN

Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the “Plan”) to its employees. The Plan was administered by the Organization and covered all full-time employees of the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas in the United States. Benefits were determined based on years of service and salary history. Plan’s assets were invested in a variety of investment funds until 2019, when a substantial portion of the portfolio was placed into fixed income mutual funds, and 2020, when Plan assets were converted to cash and cash equivalents.

Prior to June 30, 2019, in accordance with the plan documents, the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas made contributions to the plan equal to 16.75% of participants’ eligible compensation. The Organization 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 the Organization.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – MULTIEMPLOYER PENSION PLAN (Continued)

Effective June 30, 2019, the Board of Directors of JAUSA 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 required that participating employers (including the Organization) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied. As a result, during 2020, in accordance with the plan documents, JAUSA, JA Worldwide, Inc. and participating Junior Achievement Areas continued to make contributions equal to 13.25% of participants' eligible compensation.

During 2020, Plan participants elected the mode of their distribution (whether lump sum or annuity) and the Plan liquidated and distributed benefit payments accordingly. The Plan engaged an insurance company to assume the annuity portfolio and, as of June 30, 2020, substantially all benefit obligations of the Plan had either been paid (lump sum elections) or transferred (annuity elections).

During the years ended June 30, 2020 and 2019, the Organization contributed \$161,368 and \$200,502, respectively, to the Plan. No further contribution are required after June 30, 2020.

NOTE 11 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 29, 2020, the date on which the financial statements were available to be issued.