

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
FINANCIAL REPORT
JUNE 30, 2022

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Junior Achievement of Southern California, Inc.

Opinion

We have audited the financial statements of Junior Achievement of Southern California, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

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



November 10, 2022

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,061,794 | \$ 2,361,509 |
| Promises to give | 178,909 | 183,342 |
| Special events receivable | 33,000 | 43,730 |
| Payroll taxes receivable | - | 207,308 |
| Prepaid expenses and other current assets | 25,555 | 22,424 |
| Total current assets | 3,299,258 | 2,818,313 |
| Property and equipment, net | 2,920,138 | 3,002,586 |
| Total assets | \$ 6,219,396 | \$ 5,820,899 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 228,444 | \$ 132,423 |
| Deferred revenue | 249,191 | 230,259 |
| Refundable advances | - | 309,410 |
| Total liabilities | 477,635 | 672,092 |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 4,945,109 | 4,282,889 |
| Board-designated | 588,510 | 587,625 |
| | 5,533,619 | 4,870,514 |
| With donor restrictions | 208,142 | 278,293 |
| Total net assets | 5,741,761 | 5,148,807 |
| Total liabilities and net assets | \$ 6,219,396 | \$ 5,820,899 |

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total | 2021 Total |
|--------------------------------------|-------------------------------|----------------------------|---------------------|---------------------|
| Revenue and other support | | | | |
| Contributions | | | | |
| Corporate | \$ 877,963 | \$ 94,590 | \$ 972,553 | \$ 1,002,073 |
| Individual | 139,420 | - | 139,420 | 174,118 |
| Government grants and advances | 442,318 | - | 442,318 | 554,501 |
| Foundations | 299,300 | 10,000 | 309,300 | 110,400 |
| In-kind | 318,193 | - | 318,193 | 83,170 |
| Cause-related marketing | 42,513 | - | 42,513 | 15,710 |
| Total contributions | <u>2,119,707</u> | <u>104,590</u> | <u>2,224,297</u> | <u>1,939,972</u> |
| Special events, gross | 1,135,207 | - | 1,135,207 | 1,522,426 |
| Less direct benefits to donors | (292,744) | - | (292,744) | (375,959) |
| Special events, net | <u>842,463</u> | <u>-</u> | <u>842,463</u> | <u>1,146,467</u> |
| Finance Park sponsorships | 322,501 | - | 322,501 | 285,001 |
| Program services | 59,669 | - | 59,669 | 56,111 |
| Other income | 190,107 | - | 190,107 | 55,998 |
| Net assets released from restriction | 174,741 | (174,741) | - | - |
| Total revenue and other support | <u>3,709,188</u> | <u>(70,151)</u> | <u>3,639,037</u> | <u>3,483,549</u> |
| Expenses | | | | |
| Program services | 2,191,010 | - | 2,191,010 | 1,641,514 |
| Supporting services | | | | |
| Management and general | 225,540 | - | 225,540 | 194,768 |
| Fundraising | 629,533 | - | 629,533 | 538,148 |
| Total supporting services | <u>855,073</u> | <u>-</u> | <u>855,073</u> | <u>732,916</u> |
| Total expenses | <u>3,046,083</u> | <u>-</u> | <u>3,046,083</u> | <u>2,374,430</u> |
| Change in net assets | <u>663,105</u> | <u>(70,151)</u> | <u>592,954</u> | <u>1,109,119</u> |
| Net assets, beginning of year | <u>4,870,514</u> | <u>278,293</u> | <u>5,148,807</u> | <u>4,039,688</u> |
| Net assets, end of year | <u>\$ 5,533,619</u> | <u>\$ 208,142</u> | <u>\$ 5,741,761</u> | <u>\$ 5,148,807</u> |

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue and other support | | | |
| Contributions | | | |
| Corporate | \$ 810,665 | \$ 191,408 | \$ 1,002,073 |
| Individual | 174,118 | - | 174,118 |
| Government grants and advances | 554,501 | - | 554,501 |
| Foundations | 50,400 | 60,000 | 110,400 |
| In-kind | 83,170 | - | 83,170 |
| Cause-related marketing | 15,710 | - | 15,710 |
| Total contributions | 1,688,564 | 251,408 | 1,939,972 |
| Special events, gross | 1,522,426 | - | 1,522,426 |
| Less direct benefits to donors | (375,959) | - | (375,959) |
| Special events, net | 1,146,467 | - | 1,146,467 |
| Finance Park sponsorships | 285,001 | - | 285,001 |
| Program services | 56,111 | - | 56,111 |
| Other income | 55,998 | - | 55,998 |
| Net assets released from restriction | 418,167 | (418,167) | - |
| Total revenue and other support | 3,650,308 | (166,759) | 3,483,549 |
| Expenses | | | |
| Program services | 1,641,514 | - | 1,641,514 |
| Supporting services | | | |
| Management and general | 194,768 | - | 194,768 |
| Fundraising | 538,148 | - | 538,148 |
| Total supporting services | 732,916 | - | 732,916 |
| Total expenses | 2,374,430 | - | 2,374,430 |
| Change in net assets | 1,275,878 | (166,759) | 1,109,119 |
| Net assets, beginning of year | 3,594,636 | 445,052 | 4,039,688 |
| Net assets, end of year | \$ 4,870,514 | \$ 278,293 | \$ 5,148,807 |

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

| | Program Services | Supporting Services | | 2022 Total | 2021 Total |
|--|----------------------------|---------------------------|--------------------------|----------------------------|----------------------------|
| | | Management and General | Fundraising | | |
| Salaries | \$ 949,375 | \$ 114,320 | \$ 323,320 | \$ 1,387,015 | \$ 1,235,066 |
| Employee benefits | 113,197 | 12,258 | 35,978 | 161,433 | 162,974 |
| Employee pension | 8,205 | 1,012 | 2,768 | 11,985 | - |
| Payroll taxes | 72,056 | 8,216 | 23,648 | 103,920 | 92,348 |
| Bank charges | 13,623 | 2,268 | 5,913 | 21,804 | 22,245 |
| Depreciation and amortization | 67,956 | 11,313 | 29,496 | 108,765 | 128,173 |
| Dues and subscriptions | 8,099 | 1,326 | 3,474 | 12,899 | 14,221 |
| Franchise and Capstone fee | 315,024 | - | - | 315,024 | 223,565 |
| In-kind | 216,626 | 26,196 | 75,371 | 318,193 | 83,170 |
| Insurance | 12,614 | 1,430 | 3,728 | 17,772 | 14,635 |
| Interest | - | - | - | - | 10,175 |
| 3DE Licensing fee | 50,000 | - | - | 50,000 | - |
| Miscellaneous | 6,684 | 1,159 | 3,059 | 10,902 | 5,741 |
| Office maintenance | 72,306 | 10,830 | 28,252 | 111,388 | 34,182 |
| Office supplies | 5,257 | 797 | 2,115 | 8,169 | 3,903 |
| Outside services | 106,597 | 17,370 | 45,504 | 169,471 | 155,724 |
| Postage | 1,294 | 202 | 536 | 2,032 | 612 |
| Program materials and insurance | 27,026 | - | - | 27,026 | 18,146 |
| Personnel recruitment | 5,294 | 493 | 1,572 | 7,359 | 4,098 |
| Property taxes | 3,282 | 334 | 870 | 4,486 | 4,257 |
| Recognition & awareness | 20,536 | 3,349 | 8,731 | 32,616 | 23,989 |
| Special events | - | - | 292,744 | 292,744 | 375,959 |
| Technology | 36,460 | 4,375 | 12,434 | 53,269 | 43,793 |
| Telephone | 29,827 | 3,733 | 10,678 | 44,238 | 52,499 |
| Training and conferences | 5,867 | - | - | 5,867 | - |
| Travel | 7,050 | 913 | 2,580 | 10,543 | 2,738 |
| Utilities | 36,755 | 3,646 | 9,506 | 49,907 | 38,176 |
| Total expenses by function | 2,191,010 | 225,540 | 922,277 | 3,338,827 | 2,750,389 |
| Less direct special event expenses included with revenues | - | - | (292,744) | (292,744) | (375,959) |
| | <u>\$ 2,191,010</u> | <u>\$ 225,540</u> | <u>\$ 629,533</u> | <u>\$ 3,046,083</u> | <u>\$ 2,374,430</u> |

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

| | Supporting Services | | | Total |
|--|----------------------------|---------------------------|--------------------------|----------------------------|
| | Program Services | Management and General | Fundraising | |
| Salaries | \$ 831,440 | \$ 96,708 | \$ 306,918 | \$ 1,235,066 |
| Employee benefits | 109,695 | 12,767 | 40,512 | 162,974 |
| Employee pension | - | - | - | - |
| Payroll taxes | 61,177 | 7,573 | 23,598 | 92,348 |
| Bank charges | - | 22,245 | - | 22,245 |
| Depreciation and amortization | 76,904 | 13,275 | 37,994 | 128,173 |
| Dues and subscriptions | 8,565 | 1,462 | 4,194 | 14,221 |
| Franchise and Capstone fee | 223,565 | - | - | 223,565 |
| In-kind | 61,488 | 4,614 | 17,068 | 83,170 |
| Insurance | 9,988 | 1,099 | 3,548 | 14,635 |
| Interest | 6,105 | 1,054 | 3,016 | 10,175 |
| Miscellaneous | 3,513 | 571 | 1,657 | 5,741 |
| Office maintenance | 21,856 | 3,075 | 9,251 | 34,182 |
| Office supplies | 2,606 | 313 | 984 | 3,903 |
| Outside services | 94,435 | 15,783 | 45,506 | 155,724 |
| Postage | 377 | 60 | 175 | 612 |
| Program materials and insurance | 18,146 | - | - | 18,146 |
| Personnel recruitment | 2,459 | 424 | 1,215 | 4,098 |
| Property taxes | 2,937 | 309 | 1,011 | 4,257 |
| Recognition & awareness | 14,970 | 2,320 | 6,699 | 23,989 |
| Special events | - | - | 375,959 | 375,959 |
| Technology | 29,406 | 3,455 | 10,932 | 43,793 |
| Telephone | 34,623 | 4,359 | 13,517 | 52,499 |
| Training and conferences | - | - | - | - |
| Travel | 1,674 | 273 | 791 | 2,738 |
| Utilities | 25,585 | 3,029 | 9,562 | 38,176 |
| | | | | |
| Total expenses by function | 1,641,514 | 194,768 | 914,107 | 2,750,389 |
| | | | | |
| Less direct special event expenses included with revenues | - | - | (375,959) | (375,959) |
| | <u>\$ 1,641,514</u> | <u>\$ 194,768</u> | <u>\$ 538,148</u> | <u>\$ 2,374,430</u> |

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 592,954 | \$ 1,109,119 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 108,765 | 117,984 |
| Amortization expense | - | 10,189 |
| Forgiveness of PPP loan | (309,410) | (347,193) |
| Changes in operating assets and liabilities: | | |
| Promises to give | 4,433 | 879,269 |
| Special events receivable | 10,730 | 81,570 |
| Payroll taxes receivable | 207,308 | (207,308) |
| Prepaid expenses and other current assets | (3,131) | 101,265 |
| Investments | - | 8,311 |
| Accounts payable and accrued expenses | 96,021 | (139,138) |
| Deferred revenue | 18,932 | (400,677) |
| Net cash provided by operating activities | <u>726,602</u> | <u>1,213,391</u> |
| Cash flows from investing activities | | |
| Purchases of equipment | <u>(26,317)</u> | <u>-</u> |
| Cash flows from financing activities | | |
| Proceeds from refundable advances | - | 309,410 |
| Principal payments on note payable | - | (492,857) |
| Net cash used in financing activities | <u>-</u> | <u>(183,447)</u> |
| Net increase in cash and cash equivalents | 700,285 | 1,029,944 |
| Cash and cash equivalents, beginning of year | <u>2,361,509</u> | <u>1,331,565</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 3,061,794</u></u> | <u><u>\$ 2,361,509</u></u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | <u>\$ -</u> | <u>\$ 10,175</u> |

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS

Junior Achievement of Southern California, Inc. (the “Organization”) was founded in 1954 as a California not-for-profit corporation and inspires youth 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 reached an annual average of 28,289 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 848 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 81% classified as low to moderate income, and 89% attending public schools.

Student program numbers and volunteers for the year ended June 30, 2021, were significantly lower than in prior years due to the major impact of the COVID-19 pandemic on K–12 schools in Southern California; all of which shifted to “remote learning” during the Fall 2020 to Spring 2022 school year. While the Organization pivoted the delivery of many of its programs from “in-person” to “virtual,” given the technical and logistical challenges our schools and teachers faced with virtual lessons, the inclusion of educational programming such as those provided by the Organization was decidedly impacted. Nonetheless, the Organization was able to provide new creative virtual learning opportunities, including subject related “Virtual Town Hall” programs, “Career Speaker Series Videos,” and other education content materials for teachers to use throughout the school year when applicable. During the year ended June 30, 2022, organizational activities continued to return to pre COVID-19 levels with a shift back to more “in-person” activities.

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 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. During the year ended June 30, 2021, the debt was paid in full.

The initial construct of Phase II of the “Campaign for Kids” took into account the impact of the current global pandemic launched during 2021 in its “quiet phase” and will continue through 2023. 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.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – 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).

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.

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. If the sum of the projected undiscounted cash flows (excluding interest charges) is less than its carrying value and the fair value is also less than its carrying value, the assets will be written down by the amount by which the carrying value 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 years ended June 30, 2022 and 2021.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – 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 Payroll Protection Program (PPP) loans in accordance with U.S. GAAP and the conditional barrier is reasonable assurance that the expenses paid with loan proceeds are eligible for forgiveness.

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.

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.
- *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.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization's revenue recognition policies are as follows:

Unconditional promises to give – Promises to give are recognized as contribution revenue in the period earned, that is 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 recognized at a point in time when control is transferred to the customer, which is typically when the 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 are recognized as revenue at a point in time, which is typically when the special event occurs.

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.

3-Dimensional Education (“3DE”) – 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 and services, include recreation goods for auction, professional services and rent. Contributions of donated services are those 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. Recreation goods sold for action are valued according to the actual cash proceeds on their disposition. Professional services and rent are valued using the estimated fair value of comparable services and rental prices in the same region. Unless otherwise noted, donated materials and services do not have donor-imposed restrictions.

For the year ended June 30, 2022, donated materials and services totaled \$107,956 and \$210,237, respectively. For the year ended June 30, 2021, donated materials and services totaled \$44,550 and \$38,620, respectively.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services (Continued)

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. For the year ended June 30, 2022, 848 volunteers donated in-kind educational/training service for a total of 123,086 hours. For the year ended June 30, 2021, 427 volunteers donated in-kind educational/training service for a total of 60,697 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.

Recent Accounting Pronouncements

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 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 disclosure 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. The adoption of this accounting standard did not have a material effect on the Organization's financial statements.

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, 2022 and 2021, 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 expansion of specific programs as more fully described in Note 9.

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 3,061,794 | \$ 2,361,509 |
| Promise to give | 178,909 | 183,342 |
| Special events receivables | 33,000 | 43,730 |
| Payroll taxes receivable | - | 207,308 |
| Total financial assets | 3,273,703 | 2,795,889 |
| Amounts not available for general expenditures | | |
| Board-designated net assets | (588,510) | (587,625) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 2,685,193 | \$ 2,208,264 |

NOTE 4 – RISKS AND UNCERTAINTIES

Concentrations of Credit Risks

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 its contributors and believes the contributions and special events receivables credit risk exposure is limited. As of and for the year ended June 30, 2022, five donors represented 12% of contribution revenue and 74% of promises to give. As of and for the year ended June 30, 2021, three donors represented 8% of contribution revenue and 38% of promises to give.

Uncertainties

The uncertainty in macroeconomics and disruption resulting from the COVID-19 pandemic is currently expected to be temporary, but there is considerable uncertainty around the duration. The Organization is continuing to monitor its liquidity and working to minimize any future impact of the pandemic on its operations.

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

NOTE 5 – PROPERTY AND EQUIPMENT

As of June 30, 2022 and 2021, property and equipment consisted of the following:

| | 2022 | 2021 |
|---------------------------|----------------------------|----------------------------|
| Land | \$ 1,700,000 | \$ 1,700,000 |
| Building and improvements | 6,157,360 | 6,157,360 |
| Equipment and furnishings | 749,949 | 725,847 |
| | 8,607,309 | 8,583,207 |
| Accumulated depreciation | (5,687,171) | (5,580,621) |
| | <u>\$ 2,920,138</u> | <u>\$ 3,002,586</u> |

NOTE 6 – NOTES PAYABLE

The Organization had a secured note payable to a community development financial institution that bore interest at 6.00% and required monthly interest payments through March 2021, at which time the total balance of outstanding principal and interest was due. The note was secured by the Organization’s corporate office and Mike Curb Learning Center. As of June 30, 2022, the Organization had no long-term debt.

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 bore interest at 2.75% and was secured by substantially all of the Organization’s assets. The Organization fully paid the EIDL in March 2021.

NOTE 7 – GOVERNMENT GRANTS

During April 2020 and January 2021, the Organization was informed by a bank that the SBA approved the Organization’s request for the first and second draw of PPP loans for \$347,193 and \$309,410, respectively. In accordance with the CARES Act, the Organization’s used the PPP loan proceeds for eligible costs. During the years ended June 30, 2021 and 2022, the Organization was informed by the SBA that the first and second PPP loans were forgiven. In connection with this, the Organization recognized the loan amounts as government grants in the statement of activities.

The CARES Act provides an Employee Retention Credit (ERC), which is a refundable tax credit against certain employment taxes equal to 70% of qualified wages paid to employees during a quarter, and limited to \$10,000 of qualified wages per quarter, per employee. The Organization qualified for the tax credit under the CARES Act and received additional tax credits under the additional relief provisions for qualified wages through June 30, 2021. The credit was recognized as government grants in the statement of activities.

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

NOTE 8 – DONATED MATERIALS AND SERVICES

Donated materials and services for the years ended June 30, 2022 and 2021, included in the financial statements, were as follows:

| | 2022 | 2021 |
|---|-------------------|------------------|
| Professional services related to 3DE | \$ 171,617 | \$ 44,550 |
| Office rental space | 38,620 | 38,620 |
| Personal recreational goods for auction | 107,956 | - |
| | \$ 318,193 | \$ 83,170 |

NOTE 9 – LEASES

The Organization leases office equipment under several noncancelable operating leases, expiring at various dates through May 2025, which require aggregate monthly payments of \$960 as of June 30, 2022.

As of June 30, 2022, minimum lease payments required under these operating leases for future years ending June 30 are as follows:

| | |
|------|------------------|
| 2023 | \$ 11,523 |
| 2024 | 11,523 |
| 2025 | 9,393 |
| | \$ 32,441 |

For the years ended June 30, 2022 and 2021, leasing expense relating to these leases totaled \$13,123 and \$32,094, respectively, which is included within technology expense.

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

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes or periods:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Subject to expenditure for specified purpose: | | |
| Finance Park services | \$ 26,886 | \$ 26,885 |
| Foundation – Programming services | 10,000 | 60,000 |
| | 36,886 | 86,885 |
| Subject to the passage of time: | | |
| Operating purpose | 171,256 | 191,408 |
| | \$ 208,142 | \$ 278,293 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30, 2022 and 2021:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Satisfaction of purpose restrictions | | |
| Foundation - Program services | \$ 60,000 | \$ - |
| Campaign4Kids - Fund completion for Finance Park and expansion of program services | - | 418,167 |
| | 60,000 | 418,167 |
| Expiration of time restrictions | 114,741 | - |
| Total net assets released from restrictions | \$ 174,741 | \$ 418,167 |

During the year ended June 30, 2021, board-designated net assets totaling \$650,000 that were designated to eliminate debt were released from restriction.

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

NOTE 11 – 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 employee insurance, program materials, 3DE license and training conferences. As of June 30, 2022 and 2021, the Organization had no amounts payable to JAUSA. As of June 30, 2022 and 2021, the Organization had amounts receivable from JAUSA totaling \$23,750 and \$0, respectively, included in pledges receivable. For the years ended June 30, 2022 and 2021, the following is a summary of transactions with JAUSA:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Franchise and Capstone fee | \$ 315,024 | \$ 223,565 |
| Program materials and program insurance | 14,082 | 17,741 |
| 3DE Licensing Fee | 50,000 | - |
| Employee benefits | 191,572 | 186,152 |
| | \$ 570,678 | \$ 427,458 |

The Organization’s board directors serve as employees or partners of other organizations. For the years ended June 30, 2022 and 2021, amounts contributed by these board of directors and the associated entities totaled \$1,691,884 and \$1,329,550, respectively, and were included in contributions and special event revenue, of which \$142,648 and \$179,000 are included in accounts receivable as of June 30, 2022 and 2021, respectively.

NOTE 12 – MULTIEmployer PENSION PLAN (TERMINATED EFFECTIVE JUNE 30, 2019)

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 fulltime 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 recognized, as net pension cost, the required contribution for the period and recognized, 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 12 – MULTIEMPLOYER PENSION PLAN (TERMINATED EFFECTIVE JUNE 30, 2019) (CONTINUED)

During 2019, the Board of Directors of the Organization approved the termination of the pension 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, the Organization, 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). The remaining assets in the Plan of approximately \$5.5 million at June 30, 2022 and 2021, are restricted for additional benefit payments, if any, plus future termination and other required administrative expenses. Approximately \$4 million of the plan's assets are expected to be returned to JA USA to repay the funds JA USA had advanced to the Plan to help ensure it was fully funded.

Upon the conclusion of any necessary administrative proceedings and the final review by the Pension Benefit Guarantee Corporation (PBGC), any remaining Plan assets will first be used to pay any final administrative costs, next will be used to repay advances from JA USA, described above, and lastly, will be distributed to participating employers on a pro-rata basis. The timing and results of these administrative proceedings and PBGC's final review are uncertain, and as a result, the Organization cannot reasonably estimate, and thus has not recorded, any pro-rata amounts receivable from the Plan at June 30, 2022.

NOTE 13 – RETIREMENT PLAN

Effective January 1, 2022, the Organization maintains a 403(b) retirement plan and substantially all full-time employees with specific periods of service are eligible to participate. Employee contributions to the plan are elective. Employer matching contributions are made under safe-harbor provisions and are limited to the amount deductible for federal income tax purposes. For the year ended June 30, 2022, the Organization provided matching contributions totaling \$11,985.

NOTE 14 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 10, 2022, the date on which the financial statements were available to be issued.