

**JUNIOR ACHIEVEMENT OF ARIZONA, INC.
AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**



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**JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Junior Achievement of Arizona, Inc. and Affiliates
Tempe, Arizona

We have audited the accompanying combined financial statements of Junior Achievement of Arizona, Inc. and Affiliates (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the related combined statements of activities, functional expenses and cash flows for the year ended June 30, 2019 and the related combined statements of activities, and cash flows for the year ended June 30, 2018, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors
Junior Achievement of Arizona, Inc. and Affiliates

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Arizona, Inc. and Affiliates as of June 30, 2019 and 2018, and the change 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.

Emphasis-of-Matter

As discussed in Note 1 to the combined financial statements, management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for Profit Entities*. Our opinion is not modified with respect that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
November 7, 2019

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,044,255	\$ 645,176
Investments	1,179,972	1,188,594
Pledges Receivable, Net	525,589	528,441
Other Receivables	3,469	37,768
Prepaid Assets	99,341	105,030
In-Kind Inventories	9,311	15,804
Total Current Assets	2,861,937	2,520,813
OTHER ASSETS		
Investments in Endowments	460,154	464,392
Pledges Receivable, Net of Current Portion	499,086	203,500
Other Long-Term Assets	31,472	30,154
Fixed Assets, Net	1,955,076	1,906,667
Total Other Assets	2,945,788	2,604,713
Total Assets	\$ 5,807,725	\$ 5,125,526
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 105,663	\$ 31,614
Accrued Liabilities	195,558	166,973
Current Portion of Obligations Under Capital Leases	13,631	18,166
Total Current Liabilities	314,852	216,753
OBLIGATIONS UNDER CAPITAL LEASES - LONG-TERM	65,010	-
Total Liabilities	379,862	216,753
NET ASSETS		
Without Donor Restrictions	3,808,224	3,432,946
With Donor Restrictions	1,619,639	1,475,827
Total Net Assets	5,427,863	4,908,773
Total Liabilities and Net Assets	\$ 5,807,725	\$ 5,125,526

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT			
Contributions:			
Corporate	\$ 875,735	\$ 654,000	\$ 1,529,735
Individual	308,795	4,250	313,045
Foundations	315,111	470,029	785,140
Total Contributions	<u>1,499,641</u>	<u>1,128,279</u>	<u>2,627,920</u>
Special Events	945,349	121,096	1,066,445
Less Direct Costs of Benefit Donors	<u>(178,961)</u>	<u>-</u>	<u>(178,961)</u>
Special Events, Net	766,388	121,096	887,484
Gains, Losses, and Other Support:			
Donated Items, Goods, and Services	514,971	-	514,971
Governmental Revenue	337,233	10,000	347,233
Other Income	194,587	3,188	197,775
Realized Gain (Loss) on Investments	1,571	(3,926)	(2,355)
Unrealized Gain on Investments	20,657	10,706	31,363
Net Assets Released from Restrictions	1,125,531	(1,125,531)	-
Total Gains, Losses and Other Support	<u>2,194,550</u>	<u>(1,105,563)</u>	<u>1,088,987</u>
 Total Revenues, Gains, Losses and Other Support	 <u>4,460,579</u>	 <u>143,812</u>	 <u>4,604,391</u>
EXPENSES			
Program Services	2,936,506	-	2,936,506
Fundraising:			
Cost of Soliciting Volunteers	7,639	-	7,639
Cost of Soliciting Contributions	748,664	-	748,664
Total Fundraising	<u>756,303</u>	<u>-</u>	<u>756,303</u>
Management and General	<u>392,492</u>	<u>-</u>	<u>392,492</u>
 Total Expenses	 <u>4,085,301</u>	 <u>-</u>	 <u>4,085,301</u>
CHANGE IN NET ASSETS	375,278	143,812	519,090
Net Assets - Beginning of Year	<u>3,432,946</u>	<u>1,475,827</u>	<u>4,908,773</u>
NET ASSETS - END OF YEAR	<u>\$ 3,808,224</u>	<u>\$ 1,619,639</u>	<u>\$ 5,427,863</u>

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT			
Contributions:			
Corporate	\$ 851,409	\$ 272,197	\$ 1,123,606
Individual	356,213	15,029	371,242
Foundations	101,495	308,600	410,095
Total Contributions	1,309,117	595,826	1,904,943
Special Events	1,155,016	85,600	1,240,616
Less Direct Costs of Benefit Donors	(264,476)	-	(264,476)
Special Events, Net	890,540	85,600	976,140
 Gains, Losses, and Other Support:			
Donated Items, Goods, and Services	562,556	-	562,556
Governmental Revenue	383,852	24,000	407,852
Other Income	52,794	20,618	73,412
Realized Gain on Investments	75,979	63,014	138,993
Unrealized Loss on Investments	(43,412)	(40,818)	(84,230)
Net Assets Released from Restrictions	463,643	(463,643)	-
Total Gains, Losses and Other Support	1,495,412	(396,829)	1,098,583
 Total Revenues, Gains, Losses and Other Support	3,695,069	284,597	3,979,666
 EXPENSES			
Program Services	2,873,714	-	2,873,714
Fundraising:			
Cost of Soliciting Volunteers	9,780	-	9,780
Cost of Soliciting Contributions	655,100	-	655,100
Total Fundraising	664,880	-	664,880
Management and General	235,108	-	235,108
 Total Expenses	3,773,702	-	3,773,702
 CHANGE IN NET ASSETS	(78,633)	284,597	205,964
Net Assets - Beginning of Year	3,511,579	1,191,230	4,702,809
 NET ASSETS - END OF YEAR	\$ 3,432,946	\$ 1,475,827	\$ 4,908,773

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries and Benefits	\$ 1,403,582	\$ 297,929	\$ 602,963	\$ 900,892	\$ 2,304,474
Office and Occupancy	390,291	50,980	66,188	117,168	507,459
Travel, Meetings and Conferences	50,324	7,953	13,916	21,869	72,193
Program Delivery & Development	494,465	-	143	143	494,608
Outside Services	21,133	16,242	10,173	26,415	47,548
Depreciation	98,690	15,763	8,259	24,022	122,712
Donated Goods and Services	478,021	3,625	22,656	26,281	504,302
Fundraising Events	-	-	32,005	32,005	32,005
Direct Costs of Donor Benefits	-	-	178,961	178,961	178,961
Total	<u>2,936,506</u>	<u>392,492</u>	<u>935,264</u>	<u>1,327,756</u>	<u>4,264,262</u>
Less: Expenses Netted Against Revenues on the Combined Statement of Activities:					
Direct Costs of Benefit Donors	<u>-</u>	<u>-</u>	<u>(178,961)</u>	<u>(178,961)</u>	<u>(178,961)</u>
Total Expenses by Function	<u><u>\$ 2,936,506</u></u>	<u><u>\$ 392,492</u></u>	<u><u>\$ 756,303</u></u>	<u><u>\$ 1,148,795</u></u>	<u><u>\$ 4,085,301</u></u>

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 519,090	\$ 205,964
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	122,712	168,477
Contributions Restricted for Investment for Endowments	-	(5,000)
Net Realized and Unrealized Gains on Investments	(29,008)	(54,763)
Loss on Disposal of Fixed Assets	-	278
Provision for Uncollectible Pledges Receivable	(2,400)	(1,600)
Amortization of Discount on Pledges Receivable	36,906	(5,347)
Donated Fixed Assets	(11,000)	-
(Increase) Decrease in Assets:		
Pledges Receivable	(327,240)	91,135
Other Receivables	34,299	(18,437)
Prepaid Assets	5,689	(10,307)
In-Kind Inventory	6,493	(6,824)
Other Long-Term Assets	(1,318)	(311)
Increase (Decrease) in Liabilities:		
Accounts Payable	74,049	10,068
Accrued Liabilities	28,585	(4,154)
Net Cash Provided by Operating Activities	456,857	369,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(76,884)	(19,027)
Purchases of Investments	(474,642)	(1,650,991)
Sales of Investments	516,510	1,646,861
Net Cash Used by Investing Activities	(35,016)	(23,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Endowments	-	5,000
Repayments of Obligations Under Capital Leases	(22,762)	(30,385)
Net Cash Used by Financing Activities	(22,762)	(25,385)
NET INCREASE IN CASH AND CASH EQUIVALENTS	399,079	320,637
Cash and Cash Equivalents - Beginning of Year	645,176	324,539
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,044,255	\$ 645,176
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Donated Fixed Assets	\$ 11,000	\$ -
Cash Paid for Interest	\$ 14,144	\$ 3,815
Capital Lease	\$ 83,237	\$ -

See accompanying Notes to Combined Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

These combined financial statements include the accounts of Junior Achievement of Arizona, Inc. (Junior Achievement), and the following foundations which were established for the benefit of Junior Achievement: the Foundation for Junior Achievement of Arizona, Inc., and the Steven G. Mihaylo Junior Achievement Foundation (collectively, the Foundations). All of these entities (collectively, the Organization) are under common management and control. All material inter-affiliate accounts and transactions have been eliminated in these combined financial statements.

These combined financial statements do not include the Junior Achievement Endowment Fund, which is an endowment set up for the benefit of Junior Achievement at the Arizona Community Foundation. Although, as beneficiary, Junior Achievement is entitled to receive the income from the endowment and the income is to be used solely for the Organization's programs, the trustees of the endowment, Arizona Community Foundation, have variance power in determining the beneficiary. Because of that power, the endowment does not meet the requirements for recording in the Organization's combined financial statements under Financial Accounting Standards Board Codification (FASC) 958-20, *Not-for-Profit, and Financially Interrelated Entities*.

Junior Achievement of Arizona has been educating K-12 students about entrepreneurship, work readiness, and financial literacy since 1957, and has offices in Tempe and Tucson.

Basis of Combined Financial Statements

The Organization's combined financial statements are prepared using the accrual basis of accounting. Accordingly, all revenues are recognized when earned, and all expenses are recognized when incurred.

Management Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses. Management is of the opinion that the estimates used in these combined financial statements are materially correct, however, actual results may differ.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Organization uses fair value measurements to record certain assets and liabilities included in these combined financial statements. Accounting principles generally accepted in the United States of America establish a hierarchy that prioritizes inputs used in measuring fair value. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, pledges receivable, other receivables, accounts payable, and accrued liabilities approximate their carrying value, principally because of the short maturity of those instruments.

The Organization carries all investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (Level 1 measurements) in the combined statements of financial position. Unrealized gains and losses are included in the accompanying combined statements of activities and changes in net assets.

The same valuation techniques were used during the years ended June 30, 2019 and 2018.

Cash and Cash Equivalents

The Organization maintains substantially all of its available cash at a national financial institution and its affiliated brokerage firm. The Organization's funds maintained at the financial institution are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. Funds maintained at the brokerage firm are insured by the Securities Investment Protection Corporation up to a maximum amount of \$500,000, including a maximum of \$250,000 for cash balances. The Organization, at times, may maintain balances in excess of these insured limits.

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

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges receivable consists primarily of amounts pledged as support in connection with the Organization's annual fund-raising campaigns and certain special events. These pledges are reported as an increase in net assets in the year in which the pledge is made by the donor.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using estimated risk-free interest rates applicable to the years in which the promises are received. Amortization of the related discounts is included in contribution revenue over the life of the promise.

The Organization uses the allowance method to determine potentially uncollectible pledges receivable. This allowance is based on historical collection experience and management's analysis of specific pledges.

Fixed Assets

Fixed assets are stated at historical cost, or if donated, at the fair market value at the date of the gift. Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives of the assets, which range from one to thirty-nine years. It is the Organization's policy to capitalize fixed assets with a cost in excess of \$2,500.

Maintenance and repairs are charged to expense and renewals and improvements are capitalized. When fixed assets are retired or disposed of, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in the combined statements of activities and changes in net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as Net Assets Released from Restrictions.

Contributions

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue.

Donated Services

The Organization recognizes contribution revenue when certain specialized services are received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These revenues are recorded at the estimated fair market value of the services. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its programs and services. The fair market value of these services has not been reflected in these combined financial statements.

Functional Expenses

The cost of providing programs and other activities has been summarized on a functional basis in the combined statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program and supporting services based on the relative benefit to each. Costs unrelated to program services are allocated between fundraising and management and general expenses.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 43-1201(4) of the Arizona Revised Statutes. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

The Organization utilizes the provisions of FASC 740-10, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Based on the Organization's evaluation of the June 30, 2016 through 2018 income tax returns and positions expected to be taken in the June 30, 2019 income tax returns, the Organization did not engage in activities or take uncertain tax positions that would jeopardize its tax-exempt status, or generate unrelated business income, which would be subject to taxation. In the event the Organization is assessed interest or penalties by major tax jurisdictions, it will be included in the provision for income taxes in the combined financial statements.

Advertising Costs

The Organization uses third-party advertising and its own website to promote its programs among the public it serves. All advertising costs are expensed as incurred. The Organization did not incur any advertising costs during the years ended June 30, 2019 or 2018.

Concentration of Revenues

The majority of the Organization's revenues arises from contributions and support from businesses, foundations, and individuals, most of whom are located or reside in the Phoenix and Tucson, Arizona metropolitan areas.

Reclassifications

Certain reclassifications to previously reported June 30, 2018 amounts were made to be consistent with the June 30, 2019 presentation.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial statement of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these combined financial statements accordingly.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover three to six months of general expenditures. At June 30, 2019, the Organization had liquid financial assets on hand to cover 7.46 months of general expenditures.

The following table reflects the Organization's financial assets, available for general expenditures within one year of the combined statement of financial position date:

Total Financial Assets	\$ 3,712,525
Available Line of Credit	450,000
Donor Imposed Restrictions:	
Restricted Funds	(1,159,485)
Endowments	<u>(460,154)</u>
Net Financial Assets Available to Meet Cash	
Needs after Donor-Imposed Restrictions	<u>\$ 2,542,886</u>

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 3 INVESTMENTS

Investments consist of the following as of June 30:

	2019				
	Carrying Amount	NAV	Level 1	Level 2	Level 3
Investments:					
Equity Funds	\$ 709,543	\$ -	\$ 709,543	\$ -	\$ -
Mutual Funds	567,328	-	567,328	-	-
Fixed Income	253,489	-	253,489	-	-
Alternative Investments	85,857	-	85,857	-	-
Real Property	23,909	-	23,909	-	-
Total Investments	<u>\$ 1,640,126</u>	<u>\$ -</u>	<u>\$ 1,640,126</u>	<u>\$ -</u>	<u>\$ -</u>
	2018				
	Carrying Amount	NAV	Level 1	Level 2	Level 3
Investments:					
Equity Funds	\$ 706,541	\$ -	\$ 706,541	\$ -	\$ -
Mutual Funds	574,878	-	574,878	-	-
Fixed Income	212,168	-	212,168	-	-
Alternative Investments	98,679	-	98,679	-	-
Real Property	48,314	-	48,314	-	-
Cash Held for Endowments	12,406	-	12,406	-	-
Total Investments	<u>\$ 1,652,986</u>	<u>\$ -</u>	<u>\$ 1,652,986</u>	<u>\$ -</u>	<u>\$ -</u>

See Note 10 for a discussion of certain endowments included in the above balances.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Corporate Campaigns	\$ 973,745	\$ 588,508
Special Events Campaigns	94,310	132,700
All Other Campaigns	<u>22,728</u>	<u>42,335</u>
Total	1,090,783	763,543
Less: Allowance for Uncollectible Pledges	(11,000)	(13,400)
Less: Unamortized Discount	<u>(55,108)</u>	<u>(18,202)</u>
Pledges Receivable, Net	<u><u>\$ 1,024,675</u></u>	<u><u>\$ 731,941</u></u>
Amounts Due in:		
Less than One Year	\$ 536,589	\$ 560,043
One to Five Years	<u>554,194</u>	<u>203,500</u>
Total	<u><u>\$ 1,090,783</u></u>	<u><u>\$ 763,543</u></u>

Pledges receivable with due dates extending beyond one year were discounted using rates effective on the date of the pledge, which approximated 5.5%.

NOTE 5 FIXED ASSETS

Fixed assets consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Building	\$ 2,725,225	\$ 2,725,225
Equipment	394,036	335,516
Land Improvements - Parking Lot	351,340	351,340
Furniture	161,076	161,076
Sponsor Improvements	98,078	91,578
Construction in Progress	<u>16,233</u>	<u>14,180</u>
Total	3,745,988	3,678,915
Less: Accumulated Depreciation	<u>2,248,612</u>	<u>2,229,948</u>
Total	1,497,376	1,448,967
Land	<u>457,700</u>	<u>457,700</u>
Fixed Assets, Net	<u><u>\$ 1,955,076</u></u>	<u><u>\$ 1,906,667</u></u>

Depreciation expense was \$122,712 and \$168,477 for the years ended June 30, 2019 and 2018 respectively, and is allocated to program services, fundraising, and management and general expense in the combined statements of activities and changes in net assets.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
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NOTE 6 LIFE INSURANCE POLICIES

The Organization owns and is the beneficiary of life insurance policies on three individuals. These policies have a combined face value of \$48,000, and have estimated death values of \$67,128 and \$66,125 as of June 30, 2019 and 2018, respectively. The individuals on two of the policies provide the Organization with the funds to make the related premium payments. Upon the death of the insured, the Organization will receive all benefits payable and, if the policy is terminated prior to the death of the insured, the Organization will receive the policy cash surrender value. As of June 30, 2019 and 2018, respectively, the estimated net cash value of the policies was \$26,364 and \$25,046, which is included in long-term assets in the combined statements of financial position.

NOTE 7 LINE OF CREDIT

The Organization has a revolving line of credit agreement with a national financial institution which allows for advances to a maximum of \$450,000. This line of credit accrues interest at the greater of 5% or the prime rate plus 1%, is secured by substantially all of the Organization's unrestricted net assets, and matures during December 2019. As of June 30, 2019 and 2018, there were no amounts outstanding under this line of credit agreement.

NOTE 8 OBLIGATIONS UNDER CAPITAL LEASES

The Organization leases certain fixed assets under agreements that have been classified as capital leases. The related assets are included in fixed assets as of June 30, 2019 and 2018, at a cost of \$83,237 and \$104,046, respectively with accumulated depreciation of \$13,180 and \$99,049, respectively. The fixed assets serve as collateral under these capital leases.

Obligations under capital leases consist of the following as of June 30:

	2019	2018
Obligations Under Capital Leases	\$ 78,641	\$ 18,166
Less: Current Portion	13,631	18,166
Obligations Under Capital Leases, Long-Term	<u>\$ 65,010</u>	<u>\$ -</u>

Future minimum payments under these lease agreements are as follows during the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 37,800
2021	37,800
2022	37,800
2023	21,988
Total Lease Payments	135,388
Less: Amount Representing Interest	(56,747)
Total	<u>\$ 78,641</u>

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NOTE 9 NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purposes	\$ 349,259	479,325
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	810,226	532,110
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	146,444	150,682
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
General Operations	148,700	148,700
Programs	95,000	95,000
Scholarships	<u>70,010</u>	<u>70,010</u>
Total Endowment Net Assets	460,154	464,392
 Total Net Assets with Donor Restrictions	 <u>\$ 1,619,639</u>	 <u>\$ 1,475,827</u>

NOTE 10 ENDOWMENT ASSETS

The Organization's endowments include five individual donor-restricted funds. Endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The majority of the endowment funds of the Organization are included in the Organization's mutual fund investments summarized in Note 3.

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NOTE 10 ENDOWMENT ASSETS (CONTINUED)

Balances and changes in endowment assets as of and for the years ended June 30, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets -			
June 30, 2017	\$ -	\$ 428,324	\$ 428,324
Donor Contributions	-	5,000	5,000
Investment Return:			
Investment Income	-	20,618	20,618
Net Appreciation (Realized/ Unrealized Gains)	-	22,196	22,196
Amounts Expended	-	(11,746)	(11,746)
Endowment Assets -			
June 30, 2018	-	464,392	464,392
Donor Contributions	-	-	-
Investment Return:			
Investment Income	-	3,188	3,188
Net Appreciation (Realized/ Unrealized Gains)	-	6,780	6,780
Amounts Expended	-	(14,206)	(14,206)
Endowment Assets -			
June 30, 2019	\$ -	\$ 460,154	\$ 460,154

Interpretation of Relevant Law

The Foundations' trustees have interpreted the Arizona Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of June 30, 2019 and 2018, there were no such donor stipulations.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment (including promises to give, net of discount and allowance for doubtful accounts) and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The accumulated earnings on the endowment funds remain treated as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

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NOTE 10 ENDOWMENT ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization follows investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the investment policy as approved by the Foundations' trustees, the endowment assets are invested in a manner that is intended to produce results that over time exceed the total return of the various benchmark indices in the investment policy guidelines, while assuming an appropriate level of investment risk.

To address its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Organization's spending policy complies with the spending limitations in the donor gift instruments.

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2019 or 2018.

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NOTE 11 OPERATING LEASES

The Organization is party to an operating lease agreement for a lot used as an additional parking lot for the Organization's office located in Tempe, Arizona. This lease requires monthly payments of \$2,013 through May 31, 2023. Future minimum lease payments under this agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 24,160
2021	24,160
2022	24,160
2023	22,147
Total	<u>\$ 94,627</u>

The Organization incurred rent expense of \$26,281 and \$25,784 under this lease agreement, and an additional month-to-month lease for storage space, during the years ended June 30, 2019 and 2018, respectively.

The Organization's Tucson office space is provided at no charge by a former member of one of the Organization's boards of directors.

NOTE 12 DONATED ITEMS, GOODS, AND SERVICES

Contributed goods and materials, fixed assets, and services are recorded in the accompanying combined financial statements at estimated fair market value on the date of receipt. Contributed items, goods, and services received by the Organization to be used as auction items or otherwise be provided to donors and participants in connection with special events are recorded at estimated fair market value as in-kind inventory and in-kind revenue. When the Organization utilizes the contributed items, goods and services at the special events, in-kind inventory, and in-kind revenue are reduced and the proceeds from the sale of the contributed items, goods, and services are recorded as special events revenue.

Total in-kind contributions included in revenues were as follows during the years ended June 30:

	<u>2019</u>	<u>2018</u>
In-Kind Inventory	\$ 41,584	\$ 75,823
Services	4,324	7,600
Goods and Materials	506,140	546,363
Fixed Assets	11,000	-
Total In-Kind Contributions	<u>563,048</u>	<u>629,786</u>
Items, Goods, and Services Utilized at Special Events	<u>(48,077)</u>	<u>(67,230)</u>
Total Donated Items, Goods, and Services Revenue	<u>\$ 514,971</u>	<u>\$ 562,556</u>

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
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NOTE 12 DONATED ITEMS, GOODS, AND SERVICES (CONTINUED)

The contributed goods, materials, and services listed above are recorded in the following functional expense categories during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Donated Goods and Materials:		
Fundraising	\$ 3,563	\$ 20,136
Management and General	11,731	38,284
Program Services	<u>484,684</u>	<u>483,767</u>
Total Donated Goods and Materials	<u>\$ 499,978</u>	<u>\$ 542,187</u>
 Donated Services:		
Fundraising	\$ -	\$ 1,000
Management and General	600	6,600
Program Services	<u>3,724</u>	<u>-</u>
Total Donated Services	<u>\$ 4,324</u>	<u>\$ 7,600</u>

NOTE 13 RETIREMENT PLANS

The Organization has a defined contribution retirement plan which covers all employees who have met certain age and length of service requirements, as defined in the plan document.

The Organization makes contributions of 6.3% of eligible annual compensation to the plan. Contributions to the plan were \$106,220 and \$95,715 during the years ended June 30, 2019 and 2018, respectively.

The Organization has a 403(b) retirement plan. This plan allows employees to defer compensation on a pre-tax basis. The Organization does not contribute to this plan.

The Organization also has a 457(b) retirement plan. This plan allows highly compensated employees to defer additional compensation on a pre-tax basis. The Organization's president is the only employee eligible for this plan. The Organization does not contribute to this plan.

NOTE 14 RELATED PARTY TRANSACTIONS

The Organization incurred national franchise fees totaling \$79,743 and \$76,755 to Junior Achievement, Inc. (JA USA) during the years ended June 30, 2019 and 2018, respectively. The fee for the year ended June 30, 2019 was based upon actual revenue reported to JA USA during the period from July 1, 2017 through June 30, 2018, less any allowed waivers. The fee for the year ended June 30, 2018 was based upon actual revenue reported to JA USA during the period from July 1, 2016 through June 30, 2017, less any allowed waivers.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 14 RELATED PARTY TRANSACTIONS (CONTINUED)

The Organization incurred liability insurance premiums totaling \$23,395 and \$23,818 to JA USA during the years ended June 30, 2019 and 2018, respectively. The premium for the year ended June 30, 2019 was based upon actual student numbers reported to JA USA during the period from June 30, 2016 through June 30, 2017. The premium for the year ended June 30, 2018 was based upon actual student numbers reported to JA USA during the period from June 30, 2015 through June 30, 2016.

The Organization also incurs an assessment of \$1.50 per student for the intellectual content of the JA BizTown® and JA Finance Park® programs. The student fees incurred to JA USA were \$40,235 and \$39,203 for the years ended June 30, 2019 and 2018, respectively.

The Organization purchased and utilized certain educational materials from JA USA in the amounts of \$155,315 and \$171,100 during the years ended June 30, 2019 and 2018, respectively.

The Organization purchased software from JA USA in the amounts of \$1,600 and \$4,000 during the years ended June 30, 2019 and 2018, respectively.

The Organization owed JA USA \$426 and \$6,230 at June 30, 2019 and 2018, respectively. The Organization receives contributions, goods, and services from various members of the Organization's boards of directors and from their companies and employers, some at reduced rates and some at no cost to the Organization. Such goods and services include telephone service, legal services, advertising, moving services, and donated fixed assets. Management does not consider any of these transactions to be material to the combined financial statements. The amounts received from board members totaled \$90,901 and \$123,157 during the years ended June 30, 2019 and 2018, respectively.

The Organization also maintains substantially all of its available funds and has a line of credit and capital leases with companies whose employees serve on its boards of directors.

NOTE 15 RISKS AND UNCERTAINTIES

The Organization invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and could materially affect the amounts reported in the combined statements of financial position.

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 7, 2019, the date that these combined financial statements were available to be issued. There were no subsequent events that require adjustment to, or disclosure in the combined financial statements.

