

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

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9

DRAFT



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Junior Achievement of Arizona, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2020 and 2019, 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.

CliftonLarsonAllen LLP

Phoenix, Arizona
REPORT DATE

DRAFT

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,462,245	\$ 1,044,255
Investments	1,591,315	1,179,972
Pledges Receivable, Net	305,564	525,589
Other Receivables	18,579	3,469
Prepaid Assets	93,905	99,341
In-Kind Inventories	4,377	9,311
Total Current Assets	3,475,985	2,861,937
OTHER ASSETS		
Investments in Endowments	441,452	460,154
Pledges Receivable, Net of Current Portion	368,973	499,086
Other Long-Term Assets	32,830	31,472
Fixed Assets, Net	1,911,492	1,955,076
Total Other Assets	2,754,747	2,945,788
Total Assets	\$ 6,230,732	\$ 5,807,725
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 33,768	\$ 105,663
Accrued Liabilities	241,832	195,558
Obligations Under Capital Leases, Current Portion	18,968	13,631
Loans Payable, Current Portion	6,112	-
Total Current Liabilities	300,680	314,852
NON-CURRENT LIABILITIES		
Obligations Under Capital Leases, Net of Current Portion	46,042	65,010
Loans Payable, Net of Current Portion	597,572	-
Total Non-Current Liabilities	643,614	65,010
Total Liabilities	944,294	379,862
NET ASSETS		
Without Donor Restrictions	3,863,957	3,808,224
With Donor Restrictions	1,422,481	1,619,639
Total Net Assets	5,286,438	5,427,863
Total Liabilities and Net Assets	\$ 6,230,732	\$ 5,807,725

See accompanying Notes to Consolidated Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT			
Contributions:			
Corporate	\$ 899,413	\$ 418,400	\$ 1,317,813
Individual	388,934	50,260	439,194
Foundations	172,453	295,631	468,084
Total Contributions	<u>1,460,800</u>	<u>764,291</u>	<u>2,225,091</u>
Special Events	932,799	24,900	957,699
Less Direct Costs of Benefit Donors	<u>(154,470)</u>	<u>-</u>	<u>(154,470)</u>
Special Events, Net	778,329	24,900	803,229
Gains, Losses, and Other Support:			
Donated Items, Goods, and Services	583,585	-	583,585
Governmental Revenue	235,167	-	235,167
Other Income	139,588	13,314	152,902
Realized Gain on Investments	44,509	14,325	58,834
Unrealized Loss on Investments	(23,249)	(25,914)	(49,163)
Net Assets Released from Restrictions	<u>988,074</u>	<u>(988,074)</u>	<u>-</u>
Total Gains, Losses and Other Support	<u>1,967,674</u>	<u>(986,349)</u>	<u>981,325</u>
Total Revenues, Gains, Losses and Other Support	<u>4,206,803</u>	<u>(197,158)</u>	<u>4,009,645</u>
EXPENSES			
Program Services	2,828,033	-	2,828,033
Fundraising:			
Cost of Soliciting Volunteers	6,591	-	6,591
Cost of Soliciting Contributions	808,961	-	808,961
Total Fundraising	<u>815,552</u>	<u>-</u>	<u>815,552</u>
Management and General	<u>507,485</u>	<u>-</u>	<u>507,485</u>
Total Expenses	<u>4,151,070</u>	<u>-</u>	<u>4,151,070</u>
CHANGE IN NET ASSETS	55,733	(197,158)	(141,425)
Net Assets - Beginning of Year	<u>3,808,224</u>	<u>1,619,639</u>	<u>5,427,863</u>
NET ASSETS - END OF YEAR	<u>\$ 3,863,957</u>	<u>\$ 1,422,481</u>	<u>\$ 5,286,438</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Without Donor Restriction	With Donor Restriction	Total
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	1,499,641	1,128,279	2,627,920
Special Events	945,349	121,096	1,066,445
Less Direct Costs of Benefit Donors	(178,961)	-	(178,961)
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	2,194,550	(1,105,563)	1,088,987
Total Revenues, Gains, Losses and Other Support	4,460,579	143,812	4,604,391
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	756,303	-	756,303
Management and General	392,492	-	392,492
Total Expenses	4,085,301	-	4,085,301
CHANGE IN NET ASSETS	375,278	143,812	519,090
Net Assets - Beginning of Year	3,432,946	1,475,827	4,908,773
NET ASSETS - END OF YEAR	\$ 3,808,224	\$ 1,619,639	\$ 5,427,863

See accompanying Notes to Consolidated Financial Statements.

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

	Support Services			Total Support Services	Total
	Program Services	Management and General	Fundraising		
Salaries and Benefits	\$ 1,504,804	\$ 346,311	\$ 637,118	\$ 983,429	\$ 2,488,233
Office and Occupancy	236,980	83,222	69,050	152,272	389,252
Travel, Meetings and Conferences	38,382	7,480	14,496	21,976	60,358
Program Delivery & Development	436,392	899	1,290	2,189	438,581
Outside Services	32,990	14,454	19,675	34,129	67,119
Depreciation	102,026	14,859	8,032	22,891	124,917
Donated Goods and Services	476,459	40,260	40,383	80,643	557,102
Fundraising Events	-	-	25,508	25,508	25,508
Direct Costs of Donor Benefits	-	-	154,470	154,470	154,470
Total	<u>2,828,033</u>	<u>507,485</u>	<u>970,022</u>	<u>1,477,507</u>	<u>4,305,540</u>
Less: Expenses Netted Against Revenues on the Combined Statement of Activities:					
Direct Costs of Benefit Donors	-	-	(154,470)	(154,470)	(154,470)
Total Expenses by Function	<u>\$ 2,828,033</u>	<u>\$ 507,485</u>	<u>\$ 815,552</u>	<u>\$ 1,323,037</u>	<u>\$ 4,151,070</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Support Services			Total Support Services	Total
	Program Services	Management and General	Fundraising		
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	-	-	(178,961)	(178,961)	(178,961)
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 Consolidated Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (141,425)	\$ 519,090
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	124,917	122,712
Net Realized and Unrealized Gains on Investments	9,671	(29,008)
Provision for Uncollectible Pledges Receivable	-	(2,400)
Amortization of Discount on Pledges Receivable	(5,631)	36,906
Donated Fixed Assets	(39,030)	(11,000)
(Increase) Decrease in Assets:		
Pledges Receivable	355,769	(327,240)
Other Receivables	(15,110)	34,299
Prepaid Assets	5,436	5,689
In-Kind Inventory	4,934	6,493
Other Long-Term Assets	(1,358)	(1,318)
Increase (Decrease) in Liabilities:		
Accounts Payable	(71,895)	74,049
Accrued Liabilities	46,274	28,585
Net Cash Provided by Operating Activities	272,552	456,857
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(42,303)	(76,884)
Purchases of Investments	(2,172,310)	(474,642)
Sales of Investments	1,769,998	516,510
Net Cash Used by Investing Activities	(444,615)	(35,016)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	603,684	-
Repayments of Obligations Under Capital Leases	(13,631)	(22,762)
Net Cash Provided (Used) by Financing Activities	590,053	(22,762)
NET INCREASE IN CASH AND CASH EQUIVALENTS	417,990	399,079
Cash and Cash Equivalents - Beginning of Year	1,044,255	645,176
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,462,245	\$ 1,044,255
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Donated Fixed Assets	\$ 39,030	\$ 11,000
Cash Paid for Interest	\$ 25,117	\$ 3,815

See accompanying Notes to Consolidated Financial Statements.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

These consolidated financial statements include the accounts of Junior Achievement of Arizona, Inc. (Junior Achievement), and the Foundation for Junior Achievement of Arizona, Inc. The entities (collectively, the Organization) are under common management and control. All material inter-affiliate accounts and transactions have been eliminated in these consolidated financial statements.

These consolidated 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 consolidated 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 Consolidated Financial Statements

The Organization's consolidated 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 consolidated 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 consolidated financial statements are materially correct, however, actual results may differ.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 consolidated 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 consolidated statements of financial position. Unrealized gains and losses are included in the accompanying consolidated statements of activities and changes in net assets.

The same valuation techniques were used during the years ended June 30, 2020 and 2019.

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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 restricted revenue when received and released from restriction 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 consolidated financial statements.

Functional Expenses

Costs are 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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2017 through 2019 income tax returns and positions expected to be taken in the June 30, 2020 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 consolidated 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, 2020 or 2019.

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.

Change in Accounting Principle

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Foundation's financial statements reflect the full retrospective application of ASU 2018-08 guidance beginning in fiscal year 2019. The adoption of ASU 2018-08 did not impact the Organization's reported revenue.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover three to six months of general expenditures. At June 30, 2020, the Organization had liquid financial assets on hand to cover 9.31 months of general expenditures.

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

	<u>2020</u>	<u>2019</u>
Total Financial Assets	\$ 4,188,128	\$ 3,712,525
Available Line of Credit	450,000	450,000
Donor Imposed Restrictions:		
Restricted Funds	(981,029)	(1,159,488)
Endowments	(441,452)	(460,151)
Net Financial Assets Available to Meet Cash Needs after Donor-Imposed Restrictions	<u>\$ 3,215,647</u>	<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:

	<u>2020</u>				
	<u>Carrying Amount</u>	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:					
Equity Funds	\$ 1,104,977	\$ -	\$ 1,104,977	\$ -	\$ -
Mutual Funds	339,245	-	339,245	-	-
Fixed Income	523,628	-	523,628	-	-
Alternative Investments	31,545	-	31,545	-	-
Real Property	33,372	-	33,372	-	-
Total Investments	<u>\$ 2,032,767</u>	<u>\$ -</u>	<u>\$ 2,032,767</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2019</u>				
	<u>Carrying Amount</u>	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>

See Note 11 for a discussion of certain endowments included in the above balances.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30:

	2020	2019
Corporate Campaigns	\$ 661,256	\$ 973,745
Special Events Campaigns	38,230	94,310
All Other Campaigns	35,528	22,728
Total	<u>735,014</u>	<u>1,090,783</u>
Less: Allowance for Uncollectible Pledges	(11,000)	(11,000)
Less: Unamortized Discount	(49,477)	(55,108)
Pledges Receivable, Net	<u>\$ 674,537</u>	<u>\$ 1,024,675</u>
Amounts Due in:		
Less than One Year	\$ 316,564	\$ 536,589
One to Five Years	418,450	554,194
Total	<u>\$ 735,014</u>	<u>\$ 1,090,783</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% and 4.9% as of June 30, 2020 and 2019, respectively.

NOTE 5 FIXED ASSETS

Fixed assets consist of the following as of June 30:

	2020	2019
Building	\$ 2,725,225	\$ 2,725,225
Equipment	409,560	394,036
Land Improvements - Parking Lot	351,340	351,340
Furniture	182,873	161,076
Sponsor Improvements	128,220	98,078
Construction in Progress	30,103	16,233
Total	<u>3,827,321</u>	<u>3,745,988</u>
Less: Accumulated Depreciation	2,373,529	2,248,612
Total	<u>1,453,792</u>	<u>1,497,376</u>
Land	457,700	457,700
Fixed Assets, Net	<u>\$ 1,911,492</u>	<u>\$ 1,955,076</u>

Depreciation expense was \$124,917 and \$122,712 for the years ended June 30, 2020 and 2019, respectively, and is allocated to program services, fundraising, and management and general expense in the consolidated statements of activities and changes in net assets.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 LIFE INSURANCE POLICIES

The Organization owns and is the beneficiary of life insurance policies on three individuals. These policies have a consolidated face value of \$48,000, and have estimated death values of \$68,128 and \$67,128 as of June 30, 2020 and 2019, 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, 2020 and 2019, respectively, the estimated net cash value of the policies was \$27,722 and \$26,364, which is included in long-term assets in the consolidated 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 net assets without donor restrictions, and matures during February 2021. As of June 30, 2020 and 2019, 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 at a cost of \$83,237 at June 30, 2020 and 2019 with accumulated depreciation of \$27,746 and \$13,180, respectively. The fixed assets serve as collateral under these capital leases.

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

	2020	2019
Obligations Under Capital Leases	\$ 65,010	\$ 78,641
Less: Current Portion	18,968	13,631
Obligations Under Capital Leases, Long-Term	<u>\$ 46,042</u>	<u>\$ 65,010</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>
2021	\$ 37,800
2022	37,800
2023	<u>21,989</u>
Total Lease Payments	97,589
Less: Amount Representing Interest	<u>(32,579)</u>
Total	<u>\$ 65,010</u>

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 LONG-TERM DEBT

Notes payable consisted of the following at June 30, 2020 and 2019:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Note payable to Achievement Foundation, Inc. (Related party - JA USA); payable in quarterly installments of \$2,500 through March 2024. The loan is interest free.	\$ 30,000	\$ -
Economic Injury Disaster Loan through the Small Business Administration which bears interest at a rate of 2.75% and requires monthly principal and interest payments of \$641 starting June 2021 and matures June 2050. The loan is secured by all tangible and intangible personal property.	150,000	-
Paycheck Protection Program loan through the Small Business Administration which bears interest at a rate of 1% and requires interest only payments starting October 2020 and matures April 2022. The loan may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. Subsequent to year-end, the Organization has submitted an application for loan forgiveness but as of REPORT DATE has not received notification that the loan has been forgiven.	423,684	-
Total Debt	<u>603,684</u>	<u>-</u>
Less: Current Maturities	<u>6,112</u>	<u>-</u>
Total Long-Term Debt, Net	<u><u>\$ 597,572</u></u>	<u><u>\$ -</u></u>

The scheduled maturities of long-term debt as of June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 6,112
2022	437,397
2023	13,816
2024	11,423
2025	4,032
Thereafter	130,904
Total	<u><u>\$ 603,684</u></u>

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 NET ASSETS

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2020 and 2019:

	2020	2019
Subject to Expenditure for Specified Purposes	\$ 330,646	\$ 349,261
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	650,383	810,227
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	127,742	146,441
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
General Operations	148,700	148,700
Programs	95,000	95,000
Scholarships	70,010	70,010
Total Endowment Net Assets	441,452	460,151
Total Net Assets with Donor Restrictions	\$ 1,422,481	\$ 1,619,639

NOTE 11 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 equity and mutual fund investments summarized in Note 3.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 ENDOWMENT ASSETS (CONTINUED)

Balances and changes in endowment assets as of and for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>-</u>	<u>(14,206)</u>	<u>(14,206)</u>
Endowment Assets - June 30, 2019	-	460,154	460,154
Donor Contributions	-	-	-
Investment Return:			
Investment Income	-	13,314	13,314
Net Appreciation (Realized/ Unrealized Gains)	-	(11,589)	(11,589)
Amounts Expended	<u>-</u>	<u>(20,427)</u>	<u>(20,427)</u>
Endowment Assets - June 30, 2020	<u>\$ -</u>	<u>\$ 441,452</u>	<u>\$ 441,452</u>

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, 2020 and 2019, 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.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 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, 2020 or 2019.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 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 \$2,016 through May 31, 2023. Future minimum lease payments under this agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 24,192
2022	24,192
2023	22,176
Total	<u>\$ 70,560</u>

The Organization incurred rent expense of \$21,896 and \$26,281 under this lease agreement, and an additional month-to-month lease for storage space, during the years ended June 30, 2020 and 2019, 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 13 DONATED ITEMS, GOODS, AND SERVICES

Contributed goods and materials, fixed assets, and services are recorded in the accompanying consolidated 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>2020</u>	<u>2019</u>
In-Kind Inventory	\$ -	\$ 41,584
Services	21,240	4,324
Goods and Materials	588,432	506,140
Fixed Assets	39,030	11,000
Total In-Kind Contributions	<u>648,702</u>	<u>563,048</u>
Items, Goods, and Services Utilized at Special Events	<u>(65,117)</u>	<u>(48,077)</u>
Total Donated Items, Goods, and Services Revenue	<u>\$ 583,585</u>	<u>\$ 514,971</u>

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 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:

	2020	2019
Donated Goods and Materials:		
Program Services	\$ 476,459	\$ 474,184
Management and General	19,020	2,911
Fundraising	40,383	22,883
Total Donated Goods and Materials	\$ 535,862	\$ 499,978
Donated Services:		
Program Services	\$ -	\$ 3,724
Management and General	21,240	600
Fundraising	-	-
Total Donated Services	\$ 21,240	\$ 4,324

NOTE 14 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 \$113,265 and \$106,220 during the years ended June 30, 2020 and 2019, 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.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 RELATED PARTY TRANSACTIONS

The Organization incurred national franchise fees totaling \$167,322 and \$79,743 to Junior Achievement, Inc. (JA USA) during the years ended June 30, 2020 and 2019, respectively. The fee for the year ended June 30, 2020 was based upon actual revenue reported to JA USA during the period from July 1, 2018 through June 30, 2019, less any allowed waivers. 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 Organization incurred liability insurance premiums totaling \$22,712 and \$23,395 to JA USA during the years ended June 30, 2020 and 2019, respectively. The premium for the year ended June 30, 2020 was based upon actual student numbers reported to JA USA during the period from June 30, 2017 through June 30, 2018. 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 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 \$69,941 and \$40,235 for the years ended June 30, 2020 and 2019, respectively.

The Organization purchased and utilized certain educational materials from JA USA in the amounts of \$51,633 and \$155,315 during the years ended June 30, 2020 and 2019, respectively.

The Organization purchased software from JA USA in the amounts of \$400 and \$1,600 during the years ended June 30, 2020 and 2019, respectively.

The Organization owed JA USA \$21,855 and \$426 at June 30, 2020 and 2019, 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 consolidated financial statements. The amounts received from board members totaled \$231,314 and \$90,901 during the years ended June 30, 2020 and 2019, 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.

JUNIOR ACHIEVEMENT OF ARIZONA, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 16 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 consolidated statements of financial position.

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its operations and financial results due to the impact on the Organization's ability to provide in-person programming as well as the impact on contributions, special events and other revenue. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through REPORT DATE, the date that these consolidated financial statements were available to be issued. There were no subsequent events that require adjustment to, or disclosure in the consolidated financial statements.

NOTE 18 UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ending June 30, 2021.