

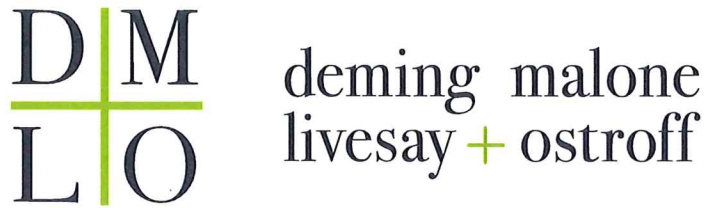
JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors
Junior Achievement of Kentuckiana, Inc.
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of Junior Achievement of Kentuckiana, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and 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 referred to above present fairly, in all material respects, the financial position of Junior Achievement of Kentuckiana, Inc. 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Junior Achievement of Kentuckiana, Inc. 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 for 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 Junior Achievement of Kentuckiana, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Junior Achievement of Kentuckiana, Inc.'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 Junior Achievement of Kentuckiana, Inc.'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.

Deming, Malone, Linsay & Ostroff

Louisville, Kentucky
October 17, 2022

JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 322,676	\$ 307,509
Investments	2,627,497	2,637,025
Investments - 3DE	827,430	690,281
Pledges receivable - net	36,595	65,888
Other receivables - 3DE	3,684	161,267
Prepaid and other assets	<u>6,552</u>	<u>21,236</u>
Total current assets	<u>3,824,434</u>	<u>3,883,206</u>
Long-Term Assets		
Beneficial interest in assets held by others	242,690	290,760
Fixed assets - net	<u>1,549,337</u>	<u>1,651,295</u>
Total long-term assets	<u>1,792,027</u>	<u>1,942,055</u>
Total assets	<u>\$ 5,616,461</u>	<u>\$ 5,825,261</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 14,486	\$ 15,924
Accrued expenses	56,134	101,726
Payable - 3DE	175,000	175,000
Small Business Administration loan	<u> </u>	<u>148,590</u>
Total current liabilities	<u>245,620</u>	<u>441,240</u>
Long-Term Liabilities		
Payable - 3DE	<u>703,650</u>	<u>688,150</u>
Total liabilities	<u>949,270</u>	<u>1,129,390</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,776,254	1,733,586
Board designated	<u>2,845,387</u>	<u>2,927,785</u>
	4,621,641	4,661,371
With donor restrictions	<u>45,550</u>	<u>34,500</u>
Total net assets	<u>4,667,191</u>	<u>4,695,871</u>
Total liabilities and net assets	<u>\$ 5,616,461</u>	<u>\$ 5,825,261</u>

See Notes to Financial Statements.

JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2022 and 2021

	2022				Total
	Program	Management and General	Fundraising		
			General Fundraising	Special Events	
Personnel	\$ 621,133	\$ 143,338	\$ 191,118		\$ 955,589
Staff training and travel	10,262	1,283	1,283		12,828
Program materials and fees	263,242				263,242
Facility	178,610	7,450	7,450		193,510
Office	66,646	31,888	8,186		106,720
Subscriptions and dues	3,002	751			3,753
General insurance	12,365	516	516		13,397
Public relations	36,513				36,513
Depreciation	159,133	6,638	6,638		172,409
Direct event costs				\$ 116,323	116,323
Miscellaneous		3,187	1,957		5,144
Total	\$ 1,350,906	\$ 195,051	\$ 217,148	\$ 116,323	\$ 1,879,428

	2021				Total
	Program	Management and General	Fundraising		
			General Fundraising	Special Events	
Personnel	\$ 664,211	\$ 107,446	\$ 205,124		\$ 976,781
Staff training and travel	8,423	1,051	1,051		10,525
Program materials and fees	203,913				203,913
Facility	151,015	6,299	6,299		163,613
Office	52,652	28,928	6,602		88,182
Subscriptions and dues	3,112	778			3,890
General insurance	12,530	523	523		13,576
Public relations	367				367
Depreciation	186,902	7,796	7,796		202,494
Bad debt expense		15,467			15,467
Direct event costs				\$ 116,247	116,247
Miscellaneous		3,589	961		4,550
Total	\$ 1,283,125	\$ 171,877	\$ 228,356	\$ 116,247	\$ 1,799,605

See Notes to Financial Statements.

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	<u>2022</u>	<u>2021</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	<u>\$ (28,680)</u>	<u>\$ 521,460</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	172,409	202,494
Bad debt expense		15,467
Net investment income reinvested	(69,700)	(45,467)
Unrealized loss (gain) on investments	647,256	(457,459)
Realized gain on investments	(117,161)	(66,194)
Contributions received for fixed assets	(70,800)	(35,000)
Change in value of beneficial interest in assets held by others	48,070	(74,308)
Small Business Administration loan forgiveness	(148,590)	(214,100)
Loss of disposal of fixed assets		280
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	29,293	(41,288)
Other receivables - 3DE	157,583	(161,267)
Prepaid and other assets	14,684	(15,236)
Increase (decrease) in:		
Accounts payable	(1,438)	13,887
Accrued expenses	(45,592)	78,333
Payable - 3DE	15,500	863,150
Deferred revenue		<u>(7,655)</u>
 Total adjustments	 <u>631,514</u>	 <u>55,637</u>
 Net cash provided by operating activities	 <u>\$ 602,834</u>	 <u>\$ 577,097</u>

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less, excluding those amounts held as part of an investment fund, to be cash equivalents.

Investments:

Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. See Note 6 for discussion of fair value measurements.

Pledges receivable:

The valuation of pledges receivable is based on a detailed analysis of past due pledges and the history of uncollectible pledges. The Organization periodically reviews doubtful pledges receivable to determine if write-offs are necessary.

Fixed assets:

Fixed assets are recorded at cost, if purchased, or at fair value as of the date of donation, if donated. The Organization's policy is to capitalize group asset purchases exceeding \$1,000 with a useful life greater than one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from three to forty years. Depreciation expense for the years ended June 30, 2022 and 2021 was \$172,409 and \$202,494, respectively.

In-kind contributions:

The Organization received the following in-kind contributions for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Rent	\$137,540	\$138,775
Media	109,100	100,000
Other items	<u>1,624</u>	<u>616</u>
	<u>\$248,264</u>	<u>\$239,391</u>

In-kind contributions are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. Estimated fair value is determined based on information provided by the donor regarding the value of goods and services received. The Organization did not monetize any in-kinds contributions for the years ended June 30, 2022 and 2021. In-kind contributions were used to support general programming and special events during the years ended June 30, 2022 and 2021. There were no donor restrictions on in-kind contributions for the years ended June 30, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

Income taxes:

The Organization is exempt from federal, state, and local income taxes as a not-for-profit organization described under Internal Revenue Code Section 501(c)(3). The Organization files an informational tax return in the U.S. federal jurisdiction and with the Kentucky Office of Attorney General.

As of June 30, 2022 and 2021, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Advertising:

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2022 and 2021 was \$36,513 and \$367, respectively, inclusive of in-kind contributions of \$36,500 for the year ended June 30, 2022.

Functional allocation of expenses:

The statements of activities report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied, including on the basis of estimates of time and effort. The statements of functional expenses for the years ended June 30, 2022 and 2021 present the natural classification of detail of expenses by function.

Newly issued standard not yet effective:

The FASB has issued ASU No. 2016-02, *Leases*, effective for years beginning after December 15, 2021. The Organization is evaluating the impact that adoption of this standard will have on future financial position and results of operations.

Accounting change:

The FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard modifies the presentation and disclosure requirements for in-kind contributions. The Organization has implemented the provisions of ASU No. 2020-07 retrospectively to all periods presented.

Subsequent events:

Subsequent events have been evaluated through October 17, 2022, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the June 30, 2022 and 2021 statements of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$322,676	\$307,509
Pledges receivable	36,595	65,888
Estimated endowment distributions	120,000	120,000
Less funds held for 3DE	(47,536)	(11,602)
Less funds with donor restrictions	<u>(7,250)</u>	<u> </u>
	<u>\$424,485</u>	<u>\$481,795</u>

The Organization's endowment consists of funds designated by the Board of Directors to function as endowments. Board designated endowment funds of \$2,482,697, in excess of the estimated endowment distributions, could be made available for general expenditure if necessary.

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

Note 3. Pledges Receivable

Total pledges receivable as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$42,333	\$73,888
Less allowance for uncollectible pledges	<u>(5,738)</u>	<u>(8,000)</u>
Pledges receivable - net	<u>\$36,595</u>	<u>\$65,888</u>
Amounts due in:		
Less than one year	<u>\$42,333</u>	<u>\$73,888</u>

Five donors account for approximately 70% of total gross pledges of \$42,333 as of June 30, 2022. Two donors account for approximately 30% of the total gross pledges receivable of \$73,888 as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments

Cost and fair value of investments consist of the following as of June 30, 2022 and 2021:

	2022		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash equivalents	\$ 311,972	\$ 311,972	
Common stocks	738,744	1,009,577	\$270,833
Mutual funds	2,228,065	2,033,697	(194,368)
Government bonds	<u>100,483</u>	<u>99,681</u>	<u>(802)</u>
	<u>\$3,379,264</u>	<u>\$3,454,927</u>	<u>\$ 75,663</u>
	2021		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash equivalents	\$ 87,327	\$ 87,327	
Common stocks	535,547	1,013,246	\$477,699
Mutual funds	1,850,519	2,093,579	243,060
Government bonds	100,958	103,141	2,183
Corporate bonds	<u>30,036</u>	<u>30,013</u>	<u>(23)</u>
	<u>\$2,604,387</u>	<u>\$3,327,306</u>	<u>\$722,919</u>

Investment income reported in the accompanying statements of activities is net of investment fees. Such investment expenses totaled \$23,151 and \$17,827 for the years ended June 30, 2022 and 2021, respectively.

Note 5. Beneficial Interest in Assets Held by Others

The Organization is an income beneficiary of certain funds held at various community foundations. These accounts were created by an irrevocable transfer of funds from the Organization to the community foundations to establish other means for donors to make contributions to support the Organization. The agreements with the community foundations call for annual distributions to the Organization in accordance with the foundations' distribution policies.

NOTES TO FINANCIAL STATEMENTS

Beneficial interest in assets held by others at June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Beneficial interest in assets held by the Community Foundation of Louisville, Inc.	\$ 32,990	\$ 37,602
Beneficial interest in assets held by the Harrison County Community Foundation, Inc.	203,091	244,858
Beneficial interest in assets held by the Community Foundation of Southern Indiana, Inc.	<u>6,609</u>	<u>8,300</u>
	<u>\$242,690</u>	<u>\$290,760</u>

Note 6. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's Level 1 and Level 2 assets have been valued using a market approach. Level 3 assets have been valued using the income approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2022 and 2021.

Cash equivalents, common stocks, mutual funds and corporate bonds – valued at the closing price reported in the active market in which the security is traded.

Government bonds – valued based on quoted prices for similar assets from observable pricing sources.

Beneficial interest – valued at the discounted cash flow of future income based on quoted market prices or value as determined by the fund manager of the underlying assets held by the community foundations.

NOTES TO FINANCIAL STATEMENTS

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2022 and 2021:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ 311,972			\$ 311,972
Common stocks	1,009,577			1,009,577
Mutual funds	2,033,697			2,033,697
Government bonds		\$99,681		99,681
	3,355,246	99,681		3,454,927
Beneficial interest in assets held by others			\$242,690	242,690
	<u>\$3,355,246</u>	<u>\$99,681</u>	<u>\$242,690</u>	<u>\$3,697,617</u>
	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ 87,327			\$ 87,327
Common stocks	1,013,246			1,013,246
Mutual funds	2,093,579			2,093,579
Government bonds		\$103,141		103,141
Corporate bonds	30,013			30,013
	3,224,165	103,141		3,327,306
Beneficial interest in assets held by others			\$290,760	290,760
	<u>\$3,224,165</u>	<u>\$103,141</u>	<u>\$290,760</u>	<u>\$3,618,066</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Endowment

The Organization's endowment funds consist of investments held at Stock Yards Bank (SYB) and beneficial interest in assets held at various community foundations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	2022		
	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$2,927,785		\$2,927,785
Contributions	500,000	\$24,800	524,800
Transfers - operations	(120,000)		(120,000)
Net investment return:			
Investment income, net	61,850		61,850
Realized gain	116,816		116,816
Unrealized loss	(592,994)		(592,994)
Change in beneficial interests	(48,070)		(48,070)
Endowment net assets, end of year	<u>\$2,845,387</u>	<u>\$24,800</u>	<u>\$2,870,187</u>
	2021		
	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$2,284,638		\$2,284,638
Net investment return:			
Investment income, net	45,249		45,249
Realized gain	66,194		66,194
Unrealized gain	457,396		457,396
Change in beneficial interests	74,308		74,308
Endowment net assets, end of year	<u>\$2,927,785</u>		<u>\$2,927,785</u>

NOTES TO FINANCIAL STATEMENTS

Interpretation of relevant law:

The Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment policy:

The Organization's Board of Directors does not have input or authority over the nature and type of investments held by others at various community foundations. The fund managers of these funds have sole discretion over the investment allocation. The Organization has adopted an investment policy for its endowment assets that is intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Except for the Organization's beneficial interest in assets held by others, the Finance and Audit Committee of the Board of Directors has the responsibility for development of the investment objectives and guidelines, the selection of the investment managers (Managers), and the regular monitoring of the Managers' performance to help assure the effectiveness of the objectives and to initiate modification of changes, as needed.

Under this policy, as approved by the Board of Directors, the endowment assets are managed by investment managers selected by the Board of Directors and are invested in equity and fixed income securities that are intended to provide a balance that will enhance a total return while avoiding undue risk from concentration in any single asset class or investment style. The Organization expects its endowment funds, over time, to provide total return, net of fees, to meet or exceed 5% inflation.

To satisfy 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 (realized and unrealized) and current yield (interest and dividends). The Organization has established and monitors a diversified asset allocation, including a target equity position, fixed income position, and cash equivalents exposure.

NOTES TO FINANCIAL STATEMENTS

Spending policy:

Distributions from the beneficial interest in assets held by the community foundation are subject to the distribution policy of the respective community foundation. These distributions are utilized to fund the Organization's programs.

Upon the recommendation of the Finance and Audit Committee, the Board of Directors may at its sole discretion utilize cash distributions from the SYB endowment fund for programs, projects or for short-term cash flow purposes. Distributions were \$120,000 for the year ended June 30, 2022. No distributions were made for the year ended June 30, 2021.

Note 8. Fixed Assets

Fixed assets consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 827,008	\$ 819,754
Leasehold improvements and fixtures	<u>2,777,826</u>	<u>2,714,629</u>
	3,604,834	3,534,383
Less accumulated depreciation	<u>(2,055,497)</u>	<u>(1,883,088)</u>
	<u>\$1,549,337</u>	<u>\$1,651,295</u>

Note 9. Payable - 3DE

During the year ended June 30, 2021, the Organization entered into a Memorandum of Agreement (MOA) with Jefferson County Public Schools (JCPS) and 3DE Kentucky, LLC (3DE) to implement the 3DE Model at selected JCPS high schools. The 3DE Model is an educational model that is relevant, experiential and authentically connected to real-world complexities, including a turnkey framework of education programs that bring real-world connectivity across core academic subjects using case methodology and linking standards-based and project-based education. As part of the MOA, the Organization agreed to raise local matching funds to the national philanthropic pool of funds raised by 3DE. The funds are to be paid to 3DE over a 4 year period and will go towards funding the implementation of the 3DE Model at selected JCPS high schools. The Organization is acting as an agent raising funds on behalf of the beneficiaries, 3DE and JCPS. As such, the funds raised are shown as a liability on the statements of financial position and are not considered contributions on the statements of activities. The amount of funds raised that are owed to 3DE as of June 30, 2022 and 2021 was \$878,650 and \$863,150, respectively. Included in the amount of funds raised are \$3,684 and \$161,267, respectively, in receivables from pledges not collected as of June 30, 2022 and 2021. The Organization made payments to 3DE of \$175,000 for the year ended June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

The Organization has invested certain funds raised into a separate investment account to be held for future payments owed to 3DE. These funds are included in investments – 3DE on the statements of financial position.

Note 10. Small Business Administration loan

The Organization qualified for and received loans pursuant to the Paycheck Protection Program, from a qualified lender, for an aggregate principal amount of \$148,590 (PPP Loan 2) and \$214,100 (PPP Loan 1). The loans bore interest at a fixed rate of 1.0% per annum, with deferred interest, had a term of five and two years, respectively, and were unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the loans were subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization applied for and received forgiveness of the PPP Loan 2 from the Small Business Administration on August 9, 2021. The Organization applied for and received forgiveness of the PPP Loan 1 from the Small Business Administration on January 26, 2021. The loan forgiveness is included in other income on the statements of activities.

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose:		
Capital items	\$ 7,250	
Subject to passage of time:		
Contributions for next fiscal year	13,500	\$34,500
Held in perpetuity:		
Legacy fund	<u>24,800</u>	<u> </u>
	<u>\$45,550</u>	<u>\$34,500</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

NOTES TO FINANCIAL STATEMENTS

Note 12. Operating Leases

The Organization leases certain office equipment under operating leases with lease terms expiring through May 2027. Minimum lease payments under these leases at June 30, 2022 are as follows:

Year ending June 30:	
2023	\$1,033
2024	1,239
2025	1,239
2026	1,239
2027	<u>516</u>
	<u>\$5,266</u>

Total rent expense under the leases for each of the years ended June 30, 2022 and 2021 was \$3,850 and \$4,200, respectively.

Note 13. Health and Welfare Benefits Trust and Postretirement Benefits Plan

The Organization participates in a self-funded medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization and employees of Junior Achievement Areas in the United States can participate in the Health and Welfare Plan. All the assets and liabilities of the Health and Welfare Plan are held in the Junior Achievement USA Health and Welfare Benefits Trust (Benefits Trust). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization.

The Health and Welfare Plan also offers health care benefits to retired personnel of the participating employees. This creates an implicit rate subsidy, which is considered to be a postretirement benefit. Management of the Organization does not believe the implicit rate subsidy amount to be material to the Organization, especially since the Plan is a multi-employer plan. Accordingly, no balances or transactions of the Postretirement Benefits Plan are recorded in the financial statements of the Organization.

The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2022 and 2021 was approximately \$83,800 and \$87,400, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 14. Retirement Plan

The Organization participates in a defined contribution 401(k) plan implemented by Junior Achievement USA. The plan covers all employees of the Organization that have met the eligibility requirements. The Organization will contribute 3% of compensation for all eligible employees. The Organization contributed \$22,536 and \$22,388 to the 401(k) plan for the year ended June 30, 2022 and 2021, respectively.

Note 15. Transactions with the National Office of Junior Achievement

A license fee is paid to the National Office of Junior Achievement at various rates ranging from 2.5% to 11.5% based on type and amount of revenues earned. In addition, the Organization also purchases program materials from the National Office.

The following is a summary of the transactions with the National Office of Junior Achievement:

	<u>2022</u>	<u>2021</u>
License fee	\$152,922	\$155,566
Classroom materials and insurance purchased	32,677	22,592

Note 16. Concentration of Credit Risk

The Organization has significant investments in common stocks, mutual funds and bonds held by an investment manager and is, therefore, subject to concentrations of credit risk. Investments are made by the investment managers and the investments are monitored by the Board of Directors. Though the fair value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

Note 17. Employee Retention Credit

In response to the COVID-19 pandemic, the U.S. Congress enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which among other things, established the provisions of a refundable payroll tax credit referred to as the Employee Retention Credit (ERC). Under the CARES Act, an organization is eligible for ERC subject to certain criteria. During the year ended June 30, 2022, the Organization claimed and recorded an ERC of \$125,957, which is included in other income on the statements of activities.