

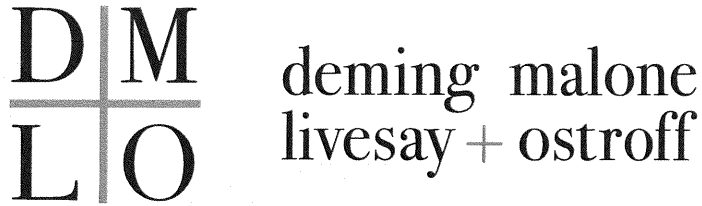
**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2021 and 2020**

## Table of Contents

	Page
<b>Independent Auditors' Report</b>	1 and 2
<b>Financial Statements</b>	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7 - 20



**Independent Auditors' Report**

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

We have audited the accompanying financial statements of Junior Achievement of Kentuckiana, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Kentuckiana, Inc. as of June 30, 2021 and 2020, 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.

*Deming, Malone, Lussay & Ostroff*

Louisville, Kentucky  
October 18, 2021

**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2021 and 2020

<b>Assets</b>	2021	2020
<b>Current Assets</b>		
Cash and cash equivalents	\$ 307,509	\$ 272,146
Investments	2,637,025	2,068,186
Investments - 3DE	690,281	
Pledges receivable - net	65,888	40,067
Other receivables - 3DE	161,267	
Prepaid and other assets	21,236	6,000
<b>Total current assets</b>	3,883,206	2,386,399
<b>Long-Term Assets</b>		
Beneficial interest in assets held by others	290,760	216,452
Fixed assets - net	1,651,295	1,818,745
<b>Total long-term assets</b>	1,942,055	2,035,197
<b>Total assets</b>	<b>\$ 5,825,261</b>	<b>\$ 4,421,596</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 15,924	\$ 2,037
Accrued expenses	101,726	23,393
Payable - 3DE	175,000	
Deferred revenue		7,655
Small Business Administration loan	148,590	214,100
<b>Total current liabilities</b>	441,240	247,185
<b>Long-Term Liabilities</b>		
Payable - 3DE	688,150	
<b>Total liabilities</b>	1,129,390	247,185
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	1,733,586	1,864,717
Board designated	2,927,785	2,284,638
	4,661,371	4,149,355
With donor restrictions	34,500	25,056
<b>Total net assets</b>	4,695,871	4,174,411
<b>Total liabilities and net assets</b>	<b>\$ 5,825,261</b>	<b>\$ 4,421,596</b>

See Notes to Financial Statements.



**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended June 30, 2021 and 2020

	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
<b>Total</b>	<b>\$ 1,283,125</b>	<b>\$ 171,877</b>	<b>\$ 228,356</b>	<b>\$ 116,247</b>	<b>\$ 1,799,605</b>

	2020				Total
	Program	Management and General	Fundraising		
			General Fundraising	Special Events	
Personnel	\$ 812,799	\$ 131,482	\$ 251,012		\$ 1,195,293
Staff training and travel	17,201	634	3,574		21,409
Program materials and fees	308,818				308,818
Facility	205,380	8,567	8,567		222,514
Office	59,219	29,169	6,281		94,669
Subscriptions and dues	1,023	1,674			2,697
General insurance	8,540	356	356		9,252
Public relations	85,514				85,514
Depreciation	183,052	7,635	7,635		198,322
Bad debt expense		4,953			4,953
Direct event costs				\$ 60,147	60,147
Miscellaneous		3,446	2,952		6,398
<b>Total</b>	<b>\$ 1,681,546</b>	<b>\$ 187,916</b>	<b>\$ 280,377</b>	<b>\$ 60,147</b>	<b>\$ 2,209,986</b>

See Notes to Financial Statements.

**JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Contributions and other income received	\$ 968,936	\$ 1,283,103
Cash received from special events	178,053	314,880
Net investment income received	1,285	11,212
Cash received for 3DE	701,883	
Cash paid to suppliers and employees	<u>(1,273,060)</u>	<u>(1,793,740)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>577,097</u>	<u>(184,545)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets	(35,324)	(43,693)
Purchases of investments	(881,390)	(1,332,803)
Proceeds from sale of investments	<u>191,390</u>	<u>1,382,803</u>
<b>Net cash (used in) provided by investing activities</b>	<u>(725,324)</u>	<u>6,307</u>
<b>Cash Flows from Financing Activities</b>		
Contributions received for fixed assets	35,000	45,000
Proceeds from Small Business Administration loan	<u>148,590</u>	<u>214,100</u>
<b>Net cash provided by financing activities</b>	<u>183,590</u>	<u>259,100</u>
<b>Net increase in cash and cash equivalents</b>	35,363	80,862
Cash and cash equivalents, beginning of year	<u>272,146</u>	<u>191,284</u>
Cash and cash equivalents, end of year	<u>\$ 307,509</u>	<u>\$ 272,146</u>

See Notes to Financial Statements.



	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities</b>		
<b>Change in net assets</b>	<u>\$ 521,460</u>	<u>\$ (375,046)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	202,494	198,322
Bad debt expense	15,467	4,953
Net investment income reinvested	(45,467)	(27,502)
Unrealized (gain) loss on investments	(457,459)	288,293
Realized gain on investments	(66,194)	(348,923)
Contributions received for fixed assets	(35,000)	(45,000)
Change in value of beneficial interest in assets held by others	(74,308)	15,483
Small Business Administration loan forgiveness	(214,100)	
Loss of disposal of fixed assets	280	
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(41,288)	95,284
Other receivables - 3DE	(161,267)	
Prepaid and other assets	(15,236)	2,238
Increase (decrease) in:		
Accounts payable	13,887	(8,000)
Accrued expenses	78,333	7,698
Payable - 3DE	863,150	
Deferred revenue	(7,655)	7,655
 Total adjustments	 <u>55,637</u>	 <u>190,501</u>
 <b>Net cash provided by (used in) operating activities</b>	 <u><u>\$ 577,097</u></u>	 <u><u>\$ (184,545)</u></u>

## JUNIOR ACHIEVEMENT OF KENTUCKIANA, INC.

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. Description of Organization and Summary of Significant Accounting Policies

##### Description of Organization:

Junior Achievement of Kentuckiana, Inc. (Organization) is a not-for-profit organization formed for the purpose of educating elementary, middle and high school students in the areas of free enterprise, business economics and workplace preparation. The Organization serves the Greater Louisville area, including Jefferson, Hardin, Bullitt, Shelby and other surrounding counties in Kentucky and Southern Indiana. The Organization is supported primarily through donor contributions.

##### Summary of significant accounting policies:

This summary of significant accounting policies of Junior Achievement of Kentuckiana, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

##### Net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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 restrictions. Net assets without donor restrictions include assets designated by the board for particular purposes.

**Net assets with donor restrictions:** Net assets subject to donor-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.

## NOTES TO FINANCIAL STATEMENTS

### Revenue recognition - contributions:

Contributions other than cash are recorded at their fair value as of the date of donation. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the contributed or acquired long-live assets are placed in service.

Donated services that create or enhance non-financial assets or that require specific expertise and would normally have been purchased are recorded at fair value in the period received.

Special events revenue is presented net of the costs of direct benefit to donors on the statements of activities. The exchange portion of special events revenue is one performance obligation and is recognized at a point in time when direct benefits are provided to the donor.

The Organization treats donor restricted contributions whose restrictions are met in the same reporting period as support without donor restriction.

### Revenue recognition – FASB ASC 606:

Contract revenue, as defined under ASC 606, is derived primarily from student participation and summer camp fees. Revenue is recognized at a point in time or over time as the performance obligations are satisfied.

Revenue from student participation fees are recognized at a point in time the student visits the facility or participates in the program. Student participant fees are based on set rates per visit or program attendance and are billed monthly. Revenue from summer camps is recognized over time as services are rendered using the input method as time has lapsed. Summer camps have set rates with payments generally being made in advance of the camp.

For the years ended June 30, 2021 and 2020, approximately 4% and 10%, respectively, of the Organization’s revenues are derived from student participation and summer camp fees and are included in contributions on the statements of activities. The following table disaggregates these contract revenues based on the timing of satisfaction of performance obligations for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Performance obligations satisfied at a point in time	100%	99%
Performance obligations satisfied overtime		1%

## NOTES TO FINANCIAL STATEMENTS

The Organization has determined that the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy, public health guidelines around COVID-19, and general public support.

### **Estimates:**

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash 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, 2021 and 2020 was \$202,494 and \$198,332, respectively.

## 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, 2021 and 2020, 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, 2021 and 2020 was \$367 and \$85,514, respectively, inclusive of in-kind contributions of \$85,000 for the year ended June 30, 2020.

### **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, 2021 and 2020 present the natural classification of detail of expenses by function.

### **Newly issued standards not yet effective:**

The FASB has issued ASU No. 2016-02, *Leases*, effective for years beginning after December 15, 2021 and ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for years beginning after June 15, 2021. The Organization is evaluating the impact that adoption of these standards will have on future financial position and results of operations.

### **Accounting change:**

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement: Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The standard modifies the disclosure requirements for fair value measurements. The Organization has adjusted the presentation of these items accordingly. The standard has been applied retrospectively to all periods presented.

### **Subsequent events:**

Subsequent events have been evaluated through October 18, 2021, 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, 2021 and 2020 statements of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$307,509	\$272,146
Pledges receivable	65,888	40,067
Estimated endowment distributions	120,000	120,000
Less funds held for 3DE	(11,602)	
Less funds with donor restrictions	<u>                    </u>	<u>(4,506)</u>
	<u>\$481,795</u>	<u>\$427,707</u>

The Organization's endowment consists of funds designated by the Board of Directors to function as endowments. Board designated endowment funds of \$2,517,025, 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$73,888	\$42,567
Less allowance for uncollectible pledges	<u>(8,000)</u>	<u>(2,500)</u>
Pledges receivable - net	<u>\$65,888</u>	<u>\$40,067</u>
Amounts due in:		
Less than one year	<u>\$73,888</u>	<u>\$42,567</u>

Two donors account for approximately 30% of total gross pledges of \$73,888 as of June 30, 2021. Three donors account for approximately 43% of the total gross pledges receivable of \$42,567 as of June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Investments

Cost and fair value of investments consist of the following as of June 30, 2021 and 2020:

	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>
	2020		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash equivalents	\$ 42,400	\$ 42,400	
Common stocks	488,261	750,711	\$262,450
Mutual funds	1,140,533	1,139,469	(1,064)
Government bonds	101,425	104,846	3,421
Corporate bonds	<u>30,107</u>	<u>30,760</u>	<u>653</u>
	<u>\$1,802,726</u>	<u>\$2,068,186</u>	<u>\$265,460</u>

Investment income reported in the accompanying statements of activities is net of investment fees. Such investment expenses totaled \$17,827 and \$15,531 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Beneficial interest in assets held by the Community Foundation of Louisville, Inc.	\$ 37,602	\$ 30,242
Beneficial interest in assets held by the Harrison County Community Foundation, Inc.	244,858	179,389
Beneficial interest in assets held by the Community Foundation of Southern Indiana, Inc.	<u>8,300</u>	<u>6,821</u>
	<u>\$290,760</u>	<u>\$216,452</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, 2021 and 2020.

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, 2021 and 2020:

	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
	\$3,224,165	\$103,141	\$290,760	\$3,618,066
	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ 42,400			\$ 42,400
Common stocks	750,711			750,711
Mutual funds	1,139,469			1,139,469
Government bonds		\$104,846		104,846
Corporate bonds	30,760			30,760
	1,963,340	104,846		2,068,186
Beneficial interest in assets held by others	_____	_____	\$216,452	216,452
	\$1,963,340	\$104,846	\$216,452	\$2,284,638

**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.

The Organization’s endowment funds are board-designated. As of June 30, 2021 and 2020, board-designated net assets without donor restrictions were \$2,927,785 and \$2,284,638, respectively.

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$2,284,638	\$2,261,989
Transfers - operations		(50,000)
Net investment return:		
Investment income, net	45,249	27,502
Realized gain	66,194	348,923
Unrealized gain (loss)	457,396	(288,293)
Change in value of beneficial interest in assets held by others	<u>74,308</u>	<u>(15,483)</u>
Endowment net assets, end of year	<u>\$2,927,785</u>	<u>\$2,284,638</u>

**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 of June 30, 2021 and 2020, the Organization has no donor-restricted endowment funds.

**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 board-designated 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.

## NOTES TO FINANCIAL STATEMENTS

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 board-designated 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.

### 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. During the year ended June 30, 2020, net distributions of \$50,000 were made from the SYB endowment fund. No distributions were made for the year ended June 30, 2021.

### Note 8. Fixed Assets

Fixed assets consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 819,754	\$ 839,167
Leasehold improvements and fixtures	<u>2,714,629</u>	<u>2,718,492</u>
	3,534,383	3,557,659
Less accumulated depreciation	<u>(1,883,088)</u>	<u>(1,738,914)</u>
	<u>\$1,651,295</u>	<u>\$1,818,745</u>

## NOTES TO FINANCIAL STATEMENTS

### **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, 2021 was \$863,150. Included in the amount of funds raised are \$161,267 in receivables from pledges not collected as of June 30, 2021. The Organization invested \$690,000 of the funds raised into a separate investment account to be held for future payments owed to 3DE.

### **Note 10. Small Business Administration loan**

On April 10, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$214,100 (PPP Loan 1). The PPP Loan 1 bears interest at a fixed rate of 1.0% per annum, with deferred interest, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan 1 is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan 1 proceeds are 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 1 from the Small Business Administration on January 26, 2021. The loan forgiveness is included in other income on the statements of activities.

On January 27, 2021, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, from a qualified lender, for an aggregate principal amount of \$148,590 (PPP Loan 2). The PPP Loan 2 bears interest at a fixed rate of 1.0% per annum, with deferred interest, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan 2 is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan 2 proceeds are 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.

## NOTES TO FINANCIAL STATEMENTS

**Note 11. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose:		
Capital items		\$ 4,506
Subject to passage of time:		
Contributions for next fiscal year	\$34,500	<u>20,550</u>
	<u>\$34,500</u>	<u>\$25,056</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.

**Note 12. Operating Leases**

The Organization leases certain office equipment under operating leases with lease terms expiring through May 2022. Minimum lease payments under these leases at June 30, 2021 are as follows:

Year ending June 30:	
2022	<u>\$3,850</u>

Total rent expense under the leases for each of the years ended June 30, 2021 and 2020 was \$4,200.

**Note 13. Pension Plan**

Prior to June 30, 2019, the Organization participated in a noncontributory defined benefit pension plan (the Plan). The Plan was administered by Junior Achievement USA and covered all full-time employees of the Organization, Junior Achievement USA, JA Worldwide, Inc. and other participating Junior Achievement Areas in the United States. Benefits were determined based on years of service and salary history. The Plan's assets were invested in a variety of investment funds until 2020, when Plan assets were converted to cash and cash equivalents. Prior to June 30, 2019, in accordance with plan documents, the Organization made contributions to the Plan equal to 16.75% of participants' eligible compensation. Accordingly, the Organization recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization.

## NOTES TO FINANCIAL STATEMENTS

Effective June 30, 2019, Junior Achievement USA's Board of Directors approved the termination of the Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan required that participating employers (including the Organization) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan had been satisfied. As a result, during the year ended June 30, 2020, in accordance with the plan documents, the Organization continued to make contributions equal to 13.25% of participants' eligible compensation.

During the year ended June 30, 2020, Plan participants elected the mode of their distribution (lump sum or annuity) and the Plan liquidated and distributed benefit payments accordingly. The Plan engaged an insurance company to assume the annuity portfolio, and as of June 30, 2020, substantially all benefit obligations of the Plan had either been paid or transferred. The remaining assets in the Plan of approximately \$5.5 million at June 30, 2021 and 2020, are restricted for additional, future termination and other required administrative expenses. Approximately \$4 million of the Plan's assets are expected to be a return of capital to Junior Achievement USA for the collateral that Junior Achievement USA transferred to fund and close the revolving line of credit necessary to terminate the Plan.

Upon the conclusion of any necessary administrative proceedings and the final review by the Pension Benefit Guarantee Corporation (PBGC), any remaining Plan assets will first be used to pay any final administrative costs, next will be used to repay advances from Junior Achievement USA, described above, and lastly, will be distributed to participating employers on a pro-rata basis. The timing and results of these administrative proceedings and PBGC's final review are uncertain, and as a result, the Organization cannot reasonably estimate, and thus has not recorded, any pro-rata amounts receivable from the Plan at June 30, 2021.

During the year ended June 30, 2020, the Organization contributed \$105,490 to the Plan.

### **Note 14. 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.

## NOTES TO FINANCIAL STATEMENTS

The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2021 and 2020 was \$87,400 and \$93,259, respectively.

### **Note 15. Retirement Plan**

The Organization participates in a defined contribution 401(k) plan implemented by Junior Achievement USA to coincide with the termination of the pension plan (Note 13). 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 \$22,388 and \$22,345 to the 401(k) plan for the year ended June 30, 2021 and 2020, respectively.

### **Note 16. 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>2021</u>	<u>2020</u>
License fee	\$155,566	\$ 155,580
Classroom materials and insurance purchased	22,592	21,182

### **Note 17. 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 18. Contingency**

On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. As of June 30, 2021, economic and public health uncertainties exist which may have a negative effect on the Organization's future financial position and results of operations. The total impact of the COVID-19 outbreak is unknown at the date the financial statements were issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.