



JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Junior Achievement of New York, Inc.:

We have audited the accompanying financial statements of Junior Achievement of New York, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, 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 U.S. generally accepted accounting principles; 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 audit 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 New York, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 31, 2018

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Financial Position

June 30, 2018 and 2017

| Assets | 2018 | 2017 |
|---|--------------|-------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,609,695 | 929,398 |
| Contributions and special events receivables, net (note 3) | 498,935 | 593,661 |
| Inventory | 33,869 | 36,952 |
| Prepaid expenses and other assets | 248,092 | 221,095 |
| Total current assets | 2,390,591 | 1,781,106 |
| Long-term assets: | | |
| Long-term contributions receivables (pledges), net (note 3) | 698,360 | 667,711 |
| Fixed assets, net (note 4) | 78,988 | 85,858 |
| Other assets (note 6) | 61,710 | 101,615 |
| Total long-term assets | 839,058 | 855,184 |
| Total assets | \$ 3,229,649 | 2,636,290 |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses (note 10) | \$ 317,153 | 191,788 |
| Deferred revenue | 59,043 | 11,390 |
| Total current liabilities | 376,196 | 203,178 |
| Long-term liabilities: | | |
| Deferred rent obligation (note 6) | 172,444 | 199,406 |
| Total long-term liabilities | 172,444 | 199,406 |
| Total liabilities | 548,640 | 402,584 |
| Net assets: | | |
| Unrestricted net assets | 1,967,649 | 1,520,426 |
| Temporarily restricted net assets (note 5) | 713,360 | 713,280 |
| Total net assets | 2,681,009 | 2,233,706 |
| Total liabilities and net assets | \$ 3,229,649 | 2,636,290 |

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Activities

Years ended June 30, 2018 and 2017

| | 2018 | | | | 2017 | | | |
|--|--------------|------------------------|------------------------|-----------|--------------|------------------------|------------------------|-----------|
| | Unrestricted | Temporarily restricted | Permanently restricted | Total | Unrestricted | Temporarily restricted | Permanently restricted | Total |
| Operating support and revenue: | | | | | | | | |
| Contributions, net of participation payments of \$34,386 and \$37,650 in 2018 and 2017, respectively (note 3): | | | | | | | | |
| Corporate | \$ 1,293,781 | 267,502 | — | 1,561,283 | 775,986 | 295,000 | — | 1,070,986 |
| Individual | 224,832 | — | — | 224,832 | 191,050 | — | — | 191,050 |
| Foundations | 3,000 | 52,248 | — | 55,248 | — | 130,403 | — | 130,403 |
| Total contributions, net | 1,521,613 | 319,750 | — | 1,841,363 | 967,036 | 425,403 | — | 1,392,439 |
| Special events income (note 3) | 2,639,735 | — | — | 2,639,735 | 2,690,864 | — | — | 2,690,864 |
| Special events expenses and participation payments | (536,725) | — | — | (536,725) | (518,494) | — | — | (518,494) |
| Special events income, net | 2,103,010 | — | — | 2,103,010 | 2,172,370 | — | — | 2,172,370 |
| In-kind contributions (note 8) | 145,602 | — | — | 145,602 | 132,321 | — | — | 132,321 |
| Other income | 106,265 | — | — | 106,265 | 146,966 | — | — | 146,966 |
| Net assets released from restriction | 319,670 | (319,670) | — | — | 427,030 | (427,030) | — | — |
| Total operating support and revenue | 4,196,160 | 80 | — | 4,196,240 | 3,845,723 | (1,627) | — | 3,844,096 |
| Operating expenses: | | | | | | | | |
| Program services – education programs | 2,683,806 | — | — | 2,683,806 | 2,487,931 | — | — | 2,487,931 |
| Supporting services: | | | | | | | | |
| Management and general | 348,916 | — | — | 348,916 | 383,304 | — | — | 383,304 |
| Fund-raising: | | | | | | | | |
| Volunteer recruiting costs | 92,315 | — | — | 92,315 | 89,813 | — | — | 89,813 |
| General solicitation of funds | 615,434 | — | — | 615,434 | 598,760 | — | — | 598,760 |
| Total fund-raising expenses | 707,749 | — | — | 707,749 | 688,573 | — | — | 688,573 |
| Total supporting services | 1,056,665 | — | — | 1,056,665 | 1,071,877 | — | — | 1,071,877 |
| Total operating expenses | 3,740,471 | — | — | 3,740,471 | 3,559,808 | — | — | 3,559,808 |
| Increase (decrease) in net assets from operations | 455,689 | 80 | — | 455,769 | 285,915 | (1,627) | — | 284,288 |
| Nonoperating activity: | | | | | | | | |
| Transfer of net deficit | — | — | — | — | — | — | — | — |
| Losses on pledges | (8,466) | — | — | (8,466) | (4,505) | — | — | (4,505) |
| Total nonoperating activity | (8,466) | — | — | (8,466) | (4,505) | — | — | (4,505) |
| Increase (decrease) in net assets | 447,223 | 80 | — | 447,303 | 281,410 | (1,627) | — | 279,783 |
| Net assets at beginning of year | 1,520,426 | 713,280 | — | 2,233,706 | 1,239,016 | 714,907 | — | 1,953,923 |
| Net assets at end of year | \$ 1,967,649 | 713,360 | — | 2,681,009 | 1,520,426 | 713,280 | — | 2,233,706 |

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statement of Functional Expenses

Year ended June 30, 2018

| | Program services | Supporting services | | | Total | Total operating expenses | Special events expense | Participation payments |
|-------------------------------------|---------------------------|-------------------------------|--|--|------------------|---------------------------------|-------------------------------|-------------------------------|
| | Education programs | Management and general | Fund-raising – volunteer recruiting | Fund-raising – general solicitation | | | | |
| Salaries and benefits (note 7) | \$ 1,622,152 | 214,697 | 71,566 | 477,104 | 763,367 | 2,385,519 | — | — |
| Office and occupancy (note 6) | 316,816 | 41,932 | 13,977 | 93,181 | 149,090 | 465,906 | — | — |
| Travel, meetings, and conferences | 19,209 | 2,542 | 847 | 5,650 | 9,039 | 28,248 | — | — |
| Program materials | 517,702 | — | — | — | — | 517,702 | — | — |
| Outside services | 112,702 | 14,917 | 4,972 | 33,148 | 53,037 | 165,739 | 485,145 | — |
| Depreciation | 21,593 | 2,858 | 953 | 6,351 | 10,162 | 31,755 | — | — |
| Donated goods and services (note 8) | 73,632 | 71,970 | — | — | 71,970 | 145,602 | — | — |
| Participation payments | — | — | — | — | — | — | — | 85,966 |
| | <u>\$ 2,683,806</u> | <u>348,916</u> | <u>92,315</u> | <u>615,434</u> | <u>1,056,665</u> | <u>3,740,471</u> | <u>485,145</u> | <u>85,966</u> |

Summary of expenses netted from revenue on statements of activities

| | Special events expenses | Participation payments | Total |
|----------------|--------------------------------|-------------------------------|----------------|
| Contributions | \$ — | 34,386 | 34,386 |
| Special events | 485,145 | 51,580 | 536,725 |
| | <u>\$ 485,145</u> | <u>85,966</u> | <u>571,111</u> |

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statement of Functional Expenses

Year ended June 30, 2017

| | Program services | Supporting services | | | Total | Total operating expenses | Special events expense | Participation payments |
|-------------------------------------|---------------------------|-------------------------------|--|--|------------------|---------------------------------|-------------------------------|-------------------------------|
| | Education programs | Management and general | Fund-raising – volunteer recruiting | Fund-raising – general solicitation | | | | |
| Salaries and benefits (note 7) | \$ 1,569,683 | 234,281 | 70,284 | 468,562 | 773,127 | 2,342,810 | — | — |
| Office and occupancy (note 6) | 318,480 | 47,534 | 14,260 | 95,069 | 156,863 | 475,343 | — | — |
| Travel, meetings, and conferences | 21,347 | 3,186 | 956 | 6,372 | 10,514 | 31,861 | — | — |
| Program materials | 433,687 | — | — | — | — | 433,687 | — | — |
| Outside services | 77,372 | 11,548 | 3,464 | 23,096 | 38,108 | 115,480 | 462,018 | — |
| Depreciation | 18,965 | 2,831 | 849 | 5,661 | 9,341 | 28,306 | — | — |
| Donated goods and services (note 8) | 48,397 | 83,924 | — | — | 83,924 | 132,321 | — | — |
| Participation payments | — | — | — | — | — | — | — | 94,126 |
| | <u>\$ 2,487,931</u> | <u>383,304</u> | <u>89,813</u> | <u>598,760</u> | <u>1,071,877</u> | <u>3,559,808</u> | <u>462,018</u> | <u>94,126</u> |

Summary of expenses netted from revenue on statements of activities

| | Special events expenses | Participation payments | Total |
|----------------|--------------------------------|-------------------------------|----------------|
| Contributions | \$ — | 37,650 | 37,650 |
| Special events | 462,018 | 56,476 | 518,494 |
| | <u>\$ 462,018</u> | <u>94,126</u> | <u>556,144</u> |

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Cash Flows

Years ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|--------------|-------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 447,303 | 279,783 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 31,755 | 28,306 |
| Losses on pledges | 8,466 | 4,505 |
| Changes in operating assets and liabilities: | | |
| Contributions and special events receivables, net | 55,611 | (74,221) |
| Inventory | 3,083 | 558 |
| Prepaid expenses and other assets | (26,997) | (50,669) |
| Other assets | 39,905 | |
| Accounts payable and accrued expenses | 125,365 | (117,781) |
| Deferred revenue | 47,653 | (17,065) |
| Deferred rent obligation | (26,962) | (5,547) |
| Net cash provided by operating activities | 705,182 | 47,869 |
| Cash flows from investing activity: | | |
| Purchase of fixed assets | (24,885) | (63,726) |
| Net cash used in investing activities | (24,885) | (63,726) |
| Net increase (decrease) in cash and cash equivalents | 680,297 | (15,857) |
| Cash and cash equivalents at beginning of year | 929,398 | 945,255 |
| Cash and cash equivalents at end of year | \$ 1,609,695 | 929,398 |

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(1) Description of Organization

The mission of Junior Achievement of New York, Inc. (JA New York) is to inspire and prepare young people to succeed in a global economy. Through a dedicated volunteer network of corporate and community individuals, JA New York provides high-quality K-12 in-school, workplace-based, after-school, and summer educational programs. JA New York educational programs impact important societal issues including youth development, economic development, and education development, and focus on three key content areas: work readiness, entrepreneurship, and financial literacy.

JA New York is a New York not-for-profit corporation and a franchise of JA USA, formerly JA Worldwide. JA New York serves the five boroughs of New York City, Long Island and the Hudson Valley area.

The Boards of Directors of JA New York and Junior Achievement of the Hudson Valley, Inc. (JA Hudson Valley), another not-for-profit franchise of JA USA that serves the Counties of Westchester, Rockland, Putnam and Orange in the State of New York, approved an acquisition in which JA Hudson Valley merged into JA New York and JA New York is the surviving corporation, effective December 31, 2015. The primary purpose of combining the two organizations is to expand the delivery of programs in the metro New York areas in a more effective and cost-efficient manner.

(2) Summary of Significant Accounting Policies

The accompanying financial statements of JA New York have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

JA New York's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, its net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that will be met either by actions of JA New York and/or by the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but permit JA New York to use the income derived from the donated assets. At June 30, 2018 and 2017, there were no permanently restricted net assets.

Revenues and gains and losses on other assets or liabilities are reported as changes in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(b) Cash

JA New York has several bank accounts at June 30, 2018 and June 30, 2017 containing balances, which exceed FDIC limits. JA New York believes that no significant risk exists at June 30, 2018 and June 30, 2017 with respect to these balances. JA New York does not have any cash equivalents as of June 30, 2018 and June 30, 2017.

(c) Inventory

Inventory is recorded at the lower of cost or market, cost being determined on a first-in, first-out (FIFO) basis. Inventory primarily consists of education and program materials, including Junior Achievement program kits, textbooks, training materials, and related marketing materials. Management analyzes inventory for obsolescence and records an allowance for obsolete inventory, if necessary.

(d) Fixed Assets

Fixed assets are recorded at cost if purchased, or fair value at date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

(e) Contributions

Contributions and special events revenue, which include unconditional promises to give or pledges, are recognized, at fair value, as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional pledges to be paid in future years are discounted to a present value using a risk-adjusted discount rate. Amortization of the discount is recorded as additional contribution revenue over the life of the commitment. Any decreases in the quantity or nature of assets expected to be received subsequent to the initial recognition of the pledge are reported as a loss in the applicable net asset class.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of property and equipment are recorded as increases in temporarily restricted net assets, which are released from restriction as depreciated.

(f) In-Kind Contributions

In-kind contributions are recognized as revenue and expense or assets at the fair value of those goods and services provided they meet the criteria for recognition. In-kind contributions principally consist of professional services, public relations, program event space, and donated software and hardware.

(g) Participation Fees

Each franchised Junior Achievement area is required to pay franchise fees (participation payments) to the national organization, JA USA, on all contributions, special events income, and certain grant income raised in its territory in accordance with a scale established by the board of directors of JA USA and ratified by the areas. Such amounts are recorded as a reduction of revenue, and amounted to approximately \$86,000 in fiscal year 2018 and \$94,000 in fiscal year 2017.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(h) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Significant estimates include the fair value of contributions, including in-kind contributions; the allowance for uncollectible contributions and special events receivable; and the allocation of expenses by functional category. Actual results could differ from those estimates.

(i) Income Taxes

JA New York is a not-for-profit organization that has been classified by the Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization, which is not a private foundation. JA New York recognizes the impact of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to JA New York's tax-exempt purpose is subject to tax under Internal Revenue Code Section 511. JA New York did not have any material unrelated business income tax liability for the years ended June 30, 2018 and 2017. JA New York evaluates, on an annual basis, the effects of any uncertain tax positions on its financial statements. As of June 30, 2018, JA New York has not identified or provided for any such positions.

(j) Nonoperating Activities

Nonoperating activities in the accompanying statements of activities include losses on pledges and nonrecurring activities.

(k) Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized by programs and supporting services benefited in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services.

(l) New Authoritative Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for-profit entities report net asset classes, expenses, and liquidity in their financial statements. The significant requirements of the ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the Statement of Financial Position; and retaining the option to present operating cash flows in the Statements of Cash Flows using either the direct or indirect method. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. JA New York is in the process of evaluating the impact of the ASU on its financial statements. JA New York plans to adopt ASU 2016-14 for the year ending June 30, 2019.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provided). The provisions in this ASU are effective for annual periods beginning after June 15, 2018. JA New York is in the process of evaluating the impact of the ASU. JA New York plans to adopt ASU 2018-08 for the year ending June 30, 2019.

(m) Subsequent Events

JA New York has evaluated subsequent events after June 30, 2018 through October 31, 2018, the date that the financial statements were available to be issued, and did not note any material subsequent events during the period.

(3) Contributions and Special Events Revenue and Receivables

Contributions and special events receivable at June 30 are scheduled to be collected as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------------------|---------------------|------------------|
| Less than 1 year | \$ 498,935 | 593,661 |
| Greater than 5 years | <u>1,000,000</u> | <u>1,000,000</u> |
| | 1,498,935 | 1,593,661 |
| Unamortized discount (4.59%) | <u>(301,640)</u> | <u>(332,289)</u> |
| | <u>\$ 1,197,295</u> | <u>1,261,372</u> |

One pledge accounted for approximately 67% of gross contributions and special events receivable (58% of net contributions and special events receivable) at June 30, 2018. One pledge accounted for approximately 63% of gross contributions and special events receivable (53% of net contributions and special events receivable) at June 30, 2017.

In fiscal year 2008, JA New York received a \$1 million pledge from the Halbert family, which will be partially funded through an irrevocable charitable remainder unitrust. In fiscal year 2008, contributions revenue and receivable were recognized at the present value of the estimated future benefits to be received upon the death of the trust beneficiaries. The receivable is adjusted during the term of the trust for accretion of the discount and other changes in the estimate of future benefits, and is expected to be collected in more than five years. The discount rate for this pledge is based on the 20 year treasury rate at June 30, 2008.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

JA New York generated approximately 53% and 60% of its contribution and special events revenue through their primary fund-raising events for fiscal year 2018 and 2017, respectively. The approximate concentration of revenue earned from each type of fundraising event is as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------|-------------|-------------|
| Bowl-a-thons | 30% | 33% |
| JA New York Gala | 16 | 19 |
| Golf Events | 7 | 8 |
| | <u>53%</u> | <u>60%</u> |

Contributions and special events revenue in fiscal years 2018 and 2017 include \$394,609 and \$490,676, respectively, collected on behalf of JA New York by JA USA. At June 30, 2018, contributions receivable of \$2,380, finder's fee of \$35,530 and reimbursable expenses of \$8,319 are due from JA USA. At June 30, 2017, the receivable due from JA USA was \$24,400. Approximately 82% of contributions and special events revenue during fiscal years 2018 and 2017, were received from members of the board and their affiliated entities.

In November 2013, JA New York received the first \$10,000 installment from an irrevocable agreement by Manuel H. Barron to support the annual Manuel H. and Claire Barron Scholarship awarded to the Student of the Year over a ten-year period through 2022. Under the agreement, Mr. Barron confirmed his intention to request aggregate distributions totaling \$100,000 from a donor-advised fund, which holds the assets being used to fund the gift to JA New York. As the donor-advised fund has variance power over the assets, the remaining installments will be recognized as contribution revenue by JA New York when received from, or unconditionally promised by, the donor-advised fund.

(4) Fixed Assets

Fixed assets at June 30 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Equipment | \$ 231,620 | 231,620 |
| Furniture and fixtures | 173,897 | 149,012 |
| Software | 263,433 | 263,433 |
| | 668,950 | 644,065 |
| Accumulated depreciation and amortization | <u>(589,962)</u> | <u>(558,207)</u> |
| | <u>\$ 78,988</u> | <u>85,858</u> |

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(5) Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|----------------|
| Halbert pledge/trust – Inspiring Inner City Youth to Succeed | \$ 698,360 | 667,711 |
| Programs and other | <u>15,000</u> | <u>45,569</u> |
| | <u>\$ 713,360</u> | <u>713,280</u> |

(6) Leases

In fiscal year 2012, JA New York entered into a lease agreement for new office space and relocated its headquarters. The lease, which expires in July 2022, includes annual rent escalations and a rent credit equivalent to six months' rent. Rent expense is recorded on a straight-line basis with an associated deferred rent obligation.

The future minimum rental commitments as of June 30, 2018 required under the operating lease are as follows:

| | |
|--------------|---------------------|
| Fiscal year: | |
| 2019 | \$ 300,034 |
| 2020 | 306,035 |
| 2021 | 312,155 |
| 2022 | 318,398 |
| 2023 | <u>26,840</u> |
| | <u>\$ 1,263,462</u> |

Rent expense, including utilities, was approximately \$290,000 for the year ended June 30, 2018 and \$294,000 for the year ended June 30, 2017, and is included in office and occupancy expense in the accompanying statements of functional expenses.

In conjunction with the lease, the landlord holds a security deposit from JA New York (\$59,860 at June 30, 2018 and \$99,765 at June 30, 2017), which is included in other assets. The security deposit was reduced at the option of JA New York in August 2017.

JA New York assumed JA Hudson Valley's lease agreement for office space effective January 1, 2016. The lease expired on August 31, 2017 and was renewed for one year at a monthly rent of \$1,850. In conjunction with the lease, the landlord holds a security deposit (\$1,850 at June 30, 2018), which is included in other assets. Rent expense, including utilities, was approximately \$25,000 for the year ended June 30, 2018 and \$26,400 for the year ended June 30, 2017 and is included in office and occupancy expense in the accompanying statements of functional expenses.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(7) Pension and Health Plans

JA New York participates in three plans administered by JA USA, which are accounted for as multiemployer plans. The risks to JA New York of participating in multiemployer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If a participating employer chooses to stop participating in the multiemployer plan, the employer may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

(a) Multiemployer Pension Plan

JA New York offers a noncontributory defined-benefit pension plan (the Pension Plan) to its employees. The Pension Plan covers all full-time employees of JA New York. Benefits are determined based on years of service and salary history. The Pension Plan's assets are invested in various investment funds. The respective participants' employers are required to fund the Pension Plan, as determined necessary by JA USA's board of directors, based on an annual actuarial valuation. JA New York makes contributions equal to 16.75% of participants' eligible compensation. Additionally, the Pension Plan requires that participating members who withdraw from the Pension Plan remain liable for any previous funding obligations under the Pension Plan. Accordingly, JA New York recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. Pension cost for the years ended June 30, 2018 and 2017 was \$263,659 and \$235,794, respectively. There is no recognition of the funded status of the Pension Plan in the financial statements of JA New York.

JA New York's participation in the Pension Plan is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number. Contributions made by JA New York represented less than 5% of total plan contributions.

The following table discloses selected financial information for the Pension Plan as of and for the year ended December 31, 2017 (the date of the latest audited financial statements of the Pension Plan):

| Legal name | EIN/Pension plan number | Actuarial present value of accumulated plan benefits | Fair value of plan assets | Total contributions | Funded status |
|---|-------------------------|--|---------------------------|---------------------|---------------|
| Retirement plan for employees of Junior Achievement USA | 13-1635270/PN 333 | \$ 65,800,607 | 64,117,308 | 7,875,486 | 97% |

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2018 and 2017

The following table discloses selected financial information for the Pension Plan as of and for the year ended December 31, 2016 (the date of the latest audited financial statements of the Pension Plan):

| <u>Legal name</u> | <u>EIN/Pension plan number</u> | <u>Actuarial present value of accumulated plan benefits</u> | <u>Fair value of plan assets</u> | <u>Total contributions</u> | <u>Funded status</u> |
|---|--------------------------------|---|----------------------------------|----------------------------|----------------------|
| Retirement plan for employees of Junior Achievement USA | 13-1635270/PN 333 | \$ 66,288,358 | 55,886,305 | 7,555,082 | 86–88% |

(b) Health and Welfare Benefits Trust

JA New York participates in a self-funded medical, dental, and other benefits plan covering full-time employees of JA New York and their beneficiaries and covered dependents. Premiums are paid into the plan for each participant by JA New York. All the assets and liabilities of the 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 JA New York.

(c) Postretirement Benefits Plan

JA New York participates in a postretirement benefits plan, which offers healthcare benefits to retired personnel of JA New York. This creates an implicit rate subsidy, which is considered to be a postretirement benefit. Management of JA New York does not believe the implicit rate subsidy amount to be material to JA New York, especially since the plan is a multiemployer plan. Accordingly, no balances or transactions of the plan are recorded in the financial statements of JA New York.

JA New York's premium expense for the Benefits Trust and the Postretirement Benefits Plan for the years ended June 30, 2018 and 2017 was \$168,109 and \$144,410, respectively.

(8) In-Kind Contributions

In-kind contributions received are reported at fair value as both support and expense (except where capitalized) in the accompanying statements of activities and consist of the following:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------------|----------------|
| Training and meetings | \$ 1,355 | 5,597 |
| Office and occupancy expense | 30,000 | 30,000 |
| Programs, conferences, and events | 43,632 | 19,615 |
| Accounting and tax services | 22,373 | 21,322 |
| Legal services | 48,242 | 55,787 |
| | <u>\$ 145,602</u> | <u>132,321</u> |

In-kind contributions can fluctuate widely from year to year, based on the opportunities for such contributions available to JA New York in any given year.

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Notes to Financial Statements

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In-kind contributions include contributions by board members and their affiliates of \$129,907 and \$125,900 in fiscal years 2018 and 2017, respectively.

(9) Line of Credit

JA New York has a line of credit (LOC) with a financial institution for an amount not to exceed \$500,000, which matures on March 3, 2019. The LOC bears interest at LIBOR plus 3.91% per annum (6.00% and 5.13% at June 30, 2018 and 2017, respectively) and is collateralized by the assets of JA New York. No amounts were drawn during fiscal 2018 or outstanding as of June 30, 2018 or 2017.

(10) Other Transactions with JA USA

At June 30, 2018 and 2017, accounts payable and accrued expenses included approximately \$13,836 and \$0, respectively, due to JA USA for purchases of program materials, insurance, and participation fees.

Under the terms of an operating agreement with JA USA, JA New York receives finder's fees from JA USA when funding is received by JA USA from a donor headquartered in JA New York's area. For the years ended June 30, 2018 and 2017, JA New York received finder's fees totaling \$106,097 and \$106,635, respectively, which is recorded in other income in the accompanying statements of activities.