

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.

Financial Statements

Years Ended June 30, 2020 and 2019

With

Independent Auditor's Report



JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.

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Independent Auditor's Report

Board of Directors
Junior Achievement of Oklahoma, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Achievement of Oklahoma, Inc., which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to 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.

Auditor's 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 auditor's 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 Oklahoma, Inc. as of June 30, 2020 and 2019, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards updated ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) as of and for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

MORSE & CO., PLLC

Tulsa, Oklahoma
December 8, 2020

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

Assets	2020	2019
Cash and cash equivalents	\$ 545,621	\$ 220,070
Pledges receivable, net	240,454	306,961
Prepaid expenses	28,607	28,556
Investments	303,952	407,001
Pledges receivable, net - restricted	137,857	143,929
Endowment funds - restricted	534,530	537,386
Property and equipment, net	2,046,861	2,157,266
Total assets	\$ 3,837,882	\$ 3,801,169

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 5,080	\$ 4,624
Accrued liabilities	5,893	13,246
Notes payable	544,744	112,858
Total liabilities	555,717	130,728
Net assets		
Without donor restrictions	2,687,917	2,989,126
With donor restrictions	594,248	681,315
Total net assets	3,282,165	3,670,441
Total liabilities and net assets	\$ 3,837,882	\$ 3,801,169

See independent auditor's report and accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions and grants	\$ 776,536	\$ 81,100	\$ 857,636
Fundraising income	500,249	-	500,249
Program income	296,988	-	296,988
In-kind contributions	38,020	-	38,020
Interest income	30,268	-	30,268
Unrealized loss on investments, net	(19,708)	-	(19,708)
Realized gain on investments, net	33,622	-	33,622
Miscellaneous income	18,803	-	18,803
Net assets released from restrictions	168,167	(168,167)	-
Total public support and revenue	1,842,945	(87,067)	1,755,878
Expenses			
Program services	1,745,371	-	1,745,371
Management and general	200,862	-	200,862
Fundraising	197,921	-	197,921
Total expenses	2,144,154	-	2,144,154
Decrease in net assets	(301,209)	(87,067)	(388,276)
Net assets, beginning of year	2,989,126	681,315	3,670,441
Net assets, end of year	\$ 2,687,917	\$ 594,248	\$ 3,282,165

See independent auditor's report and accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Contributions and grants	\$ 868,809	\$ 149,083	\$ 1,017,892
Fundraising income	615,078	-	615,078
Program income	319,150	-	319,150
In-kind contributions	41,940	-	41,940
Interest income	29,508	-	29,508
Unrealized loss on investments, net	(32,255)	-	(32,255)
Realized gain on investments, net	71,449	-	71,449
Miscellaneous income	3,595	-	3,595
Net assets released from restrictions	216,035	(216,035)	-
Total public support and revenue	<u>2,133,309</u>	<u>(66,952)</u>	<u>2,066,357</u>
Expenses			
Program services	1,800,657	-	1,800,657
Management and general	202,422	-	202,422
Fundraising	222,089	-	222,089
Total expenses	<u>2,225,168</u>	<u>-</u>	<u>2,225,168</u>
Decrease in net assets	(91,859)	(66,952)	(158,811)
Net assets, beginning of year	<u>3,080,985</u>	<u>748,267</u>	<u>3,829,252</u>
Net assets, end of year	<u>\$ 2,989,126</u>	<u>\$ 681,315</u>	<u>\$ 3,670,441</u>

See independent auditor's report and accompanying notes to financial statements.

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

Operating activities	2020	2019
Change in net assets	\$ (388,276)	\$ (158,811)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	110,405	135,303
Unrealized (gain) loss on investments	19,708	32,255
Realized (gain) loss on investments	(33,622)	(34,656)
Changes in assets and liabilities:		
Pledges receivable	72,579	75,020
Prepaid expenses	(51)	(7,137)
Accounts payable	456	(5,797)
Other liabilities	(7,353)	(5,268)
Total adjustments	<u>162,122</u>	<u>189,720</u>
Net cash provided by (used for) operating activities	<u>(226,154)</u>	<u>30,909</u>
Investing activities		
Investment activity, net	119,819	-
Purchase of property and equipment	-	(22,361)
Net cash provided by (used for) investing activities	<u>119,819</u>	<u>(22,361)</u>
Financing activities		
Payments on long-term debt	(35,714)	(35,714)
Proceeds from notes payable	467,600	-
Net cash provided by (used for) financing activities	<u>431,886</u>	<u>(35,714)</u>
Change in cash and cash equivalents	325,551	(27,166)
Cash and cash equivalents, beginning of year	<u>220,070</u>	<u>247,236</u>
Cash and cash equivalents, end of year	<u>\$ 545,621</u>	<u>\$ 220,070</u>
Supplemental disclosure of cash flows		
Cash paid for interest	<u>\$ (5,332)</u>	<u>\$ (7,111)</u>

See independent auditor's report and accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 1,027,092	\$ 137,412	\$ 118,786	\$ 1,283,290
General operations	436,546	53,645	28,349	518,540
Programs	104,810	-	-	104,810
Development	28,245	9	41,478	69,732
Participation fees	143,346	9,796	9,308	162,450
Interest	5,332	-	-	5,332
Total functional expenses	<u>\$ 1,745,371</u>	<u>\$ 200,862</u>	<u>\$ 197,921</u>	<u>\$ 2,144,154</u>

See independent auditor's report and accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 1,075,036	\$ 129,362	\$ 118,200	\$ 1,322,598
General operations	392,029	69,046	23,768	484,843
Programs	209,366	-	-	209,366
Development	69,296	32	77,222	146,550
Participation fees	47,819	3,982	2,899	54,700
Interest	7,111	-	-	7,111
Total functional expenses	<u>\$ 1,800,657</u>	<u>\$ 202,422</u>	<u>\$ 222,089</u>	<u>\$ 2,225,168</u>

See independent auditor's report and accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Junior Achievement of Oklahoma, Inc. (Junior Achievement) has fostered strong partnerships throughout Oklahoma since 1966. Businesses, foundations and school districts alike stand behind Junior Achievement's time tested program because of the direct impact on individual students and the communities throughout our state. Strong future leaders with financial literacy skills, who are ready for their place in the workforce, will contribute to a building and sustaining a thriving economy. Junior Achievement is preventative in nature giving preference in service to schools with high poverty rates and matching volunteers who serve as role models showing students the wide range of career opportunities available to them.

With 76% growth in students served during the past 10 years Junior Achievement is more committed than ever to changing the trajectory of Oklahoma students thereby strengthening our businesses with quality employees and bolstering our state. Junior Achievement has a portfolio of 21 curriculum offerings, most of which are taught by volunteers at school sites. However, onsite capstone programs such as JA BizTown, JA Inspire, and JA Finance Park, are increasing JA's impact providing a more robust experience for students. These capstone programs are the greatest focus for growth for Junior Achievement and come during a time when school budgets are tight, and JA can serve as a solution provider for educational mandates passed down from the Oklahoma legislature. While there are many organizations focused on the needs of today, JA is focused on the demands of tomorrow.

Junior Achievement served 44,862 students in fiscal year 2020 and 62,167 in 2019. One measure of program impact to these students is through contact hours. In 2020, contact hours were 827,611 compared to 871,979 contact hours in 2019. The contact hour impact was achieved by 3,110 business and community volunteers in 2020 and 4,400 volunteers in 2019. The value of these volunteers is significant to Junior Achievement, with an estimated value of \$845,920 in 2020 and \$1,118,920 in 2019 based on an estimated 31,100 volunteer hours in 2020 and 44,000 hours in 2019. This value is determined by applying the National volunteer wage rate of \$27.20 per hour for 2020 and \$25.43 per hour for 2019 (a rate established by Independent Sector, a leadership network for nonprofit organizations).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Junior Achievement and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions which can be fulfilled, either by actions of Junior Achievement and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the period such restrictions are satisfied and reported in the statement of activities as net assets released from restrictions. Payments that are received in advance for future program services are not recognized as net assets with donor restrictions due to their deferred nature. The recognition of revenue will occur simultaneously with the release of the restricted purpose and is disclosed separately in Note 6.

Fair Value Measurements

Junior Achievement records certain financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Inputs into valuation techniques are categorized into three levels, with the highest priority given to Level 1 and the lowest priority given to Level 3, as described below.

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Generally unobservable inputs, which are developed based on the best information available and may include the Organization's own internal data.

Cash and Cash Equivalents

Junior Achievement defines cash and cash equivalents to be all cash on hand and cash in bank accounts with original maturities of three months or less. Cash and cash equivalents include donor restricted deposits that are readily available and will be consumed during the next operating cycle. Junior Achievement has internally designated \$209,900 for the purpose of debt repayment. The amount is held in a separate account at a financial institution.

Revenue Recognition

Prior to the adoption of Topic 606, Junior Achievement's revenue recognition policy was in accordance with ASC Topic 605, Revenue Recognition. Effective July 1, 2019, Junior Achievement adopted Topic 606 using the modified retrospective transition method. The adoption of Topic 606 did not have a material impact on the Junior Achievement's financial statements. Junior Achievement considers program income to be contracts with a customer.

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JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions are recorded when the donor makes an unconditional promise to give to Junior Achievement. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. All contributions are considered without donor restrictions unless specifically restricted by the donor or subject to other legal restrictions.

Revenue is recognized from services at the time the services are performed. Revenue is measured as the amount of consideration Junior Achievement expects to receive in exchange for services performed. Junior Achievement estimates different forms of variable consideration at the time of sale based on historical experience, current conditions and contractual obligations. Revenue is recorded net of any discounts. This adjustment is made in the same period as the underlying transactions.

Accounts Receivable

Accounts receivable are short-term, noninterest bearing, and uncollateralized; and are reflected in the statement of financial position net of the allowance for doubtful accounts. Management's assessment of the allowance for doubtful accounts is based on the overall creditworthiness of the individual accounts, existing economic conditions, and the amount and age of past due accounts. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted. Junior Achievement considers accounts receivable at June 30, 2020 and 2019, to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to Junior Achievement that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pledges receivable are reported at net realizable value measured using present value techniques and historical discount rates, if at the time the promise is made, payment is expected to be received in one year or more. Multi-year pledges are revalued annually. Pledges receivable that are expected to be collected within one year are reported at fair value in accordance with authoritative guidance. Management believes that the use of fair value reduces the cost of measuring pledges receivable in periods subsequent to their receipt and provides equal or better information to users of its financial statements.

When estimating the fair value of pledges receivable, management considers the historical trends of collection, the type of donor (individual or corporation/foundation), general economic conditions in the geographic area in which the majority of the Junior Achievement's donors live, and market interest rate assumptions for individuals and corporations/foundations. The discount rate utilized by management is equivalent to the U.S. Treasury Yield rate. The interest resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue over the term of the pledge.

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value and depreciated over the estimated useful lives using the straight-line method. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Junior Achievement reports expirations of donor restrictions when the donated or acquired assets are placed in service, as instructed by the donor. Junior Achievement reclassifies such net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment purchased by Junior Achievement is recorded at cost and depreciated over estimated useful lives ranging from 5 to 40 years using the straight-line method. Junior Achievement follows the practice of capitalizing expenditures in excess of \$1,000.

Junior Achievement records impairment to property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by Junior Achievement, based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions, and other information. No impairments were recorded during the years ended June 30, 2020 and 2019.

Contributed Services

During the years ended June 30, 2020 and 2019, Junior Achievement received services contributed by volunteers. A significant amount of those donated services are not reflected in the financial statements because they do not meet the criteria for recognition of such volunteer efforts. Additionally, the value of contributed services which did meet the requirements for recognition in the financial statements was not material and has not been recorded.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and building depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, equipment depreciation, and other expenses which are allocated on the basis of estimates of time and effort. The percentage allocation is based on interviews with administrative personnel regarding time spent on various functions on certain test dates and is reviewed annually by management.

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JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Junior Achievement is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within limitations prescribed by the Code. Junior Achievement has been classified as a publicly-supported organization, which is not a private foundation under Section 509(a) of the code.

Junior Achievement has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10-25, Accounting for Uncertainty in Income Taxes. Junior Achievement will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority.

Junior Achievement's evaluation as of June 30, 2020 and 2019, revealed no uncertain tax positions that would have a material impact on the financial statements. Junior Achievement will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. Junior Achievement is no longer subject to tax examinations by taxing authorities for years before 2016.

Advertising Costs

Junior Achievement expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2020 and 2019, was \$175 and \$638, respectively.

Change in Accounting Principle

On January 1, 2019, the Junior Achievement adopted Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). ASC 606 provides a new model for accounting for revenue arising from contracts with customers that supersedes most revenue recognition guidance. Under the new guidance, entities are required to recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled upon transferring the benefit to a customer. As part of adoption of ASC 606, Junior Achievement applied the modified retrospective method to contracts that were not completed as of July 1, 2019. Further, results for reporting periods beginning on or after July 1, 2019 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported under the previous accounting standards. The adoption of ASC 606 had no impact on opening net assets.

Junior Achievement recognizes revenue upon the transfer of promised benefit to its customers in an amount that reflects the consideration to which Junior Achievement expects to be entitled by applying the following five-step process specified in ASC 606:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligation
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue when the performance obligations are met

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

Junior Achievement has evaluated subsequent events through December 8, 2020, the date the financial statements were available to be issued.

NOTE 2 - ENDOWMENT INVESTMENTS

Junior Achievement's endowment consists of four individual funds established for operations in Tulsa, Bartlesville and Oklahoma City, as well as maintenance of the physical assets in Tulsa. Junior Achievement transferred an initial contribution of trust investments to the Tulsa Community Foundation, Bartlesville Community Foundation and Oklahoma City Community Foundation (Collectively referred to as the "Foundations") and named itself the beneficiary. The Junior Achievement executed an "Agency Fund Agreement" with the Foundations, creating an agency fund. The Board of Trustees of the Foundations shall have the power to modify any restriction or condition on distributions from the fund for any specific charitable purposes or to specific organizations, if in the sole judgment of the Board of Trustees, the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundations. All contributions to this fund are irrevocable once accepted by the Foundations. Funds held by the Foundations have been recorded as an asset at fair market value.

The funds held by the Foundations represent Junior Achievement's only endowments, which includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - ENDOWMENT INVESTMENTS (CONTINUED)

Interpretation of Relevant Law

The Board of Directors of Junior Achievement has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, Junior Achievement classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Junior Achievement considers the following factors in making a determination to appropriate or accumulate net assets with donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The composition of beneficial interest in assets held by the Foundations by fund type at June 30, was as follows:

<u>2020</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 482,232	\$ 482,232
Board-designated endowment funds	52,298	-	-	52,298
Total	<u>\$ 52,298</u>	<u>\$ -</u>	<u>\$ 482,232</u>	<u>\$ 534,530</u>
<u>2019</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 482,232	\$ 482,232
Board-designated endowment funds	55,154	-	-	55,154
Total	<u>\$ 55,154</u>	<u>\$ -</u>	<u>\$ 482,232</u>	<u>\$ 537,386</u>

Endowment assets earnings are designated for the operations of JA BizTown and general operations in Oklahoma City and Bartlesville.

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - ENDOWMENT INVESTMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Investments at June 30, 2020, are summarized as follows:

	<u>Fair Value</u>	<u>Cost</u>
Tulsa Community Foundation	\$ 391,872	\$ 345,675
Bartlesville Community Foundation	127,604	119,456
Oklahoma City Community Foundation	15,054	15,054
Total	<u>\$ 534,530</u>	<u>\$ 480,185</u>

Investments at June 30, 2019, are summarized as follows:

	<u>Fair Value</u>	<u>Cost</u>
Tulsa Community Foundation	\$ 394,042	\$ 349,747
Bartlesville Community Foundation	127,848	115,820
Oklahoma City Community Foundation	15,496	15,496
Total	<u>\$ 537,386</u>	<u>\$ 481,063</u>

Changes in the beneficial interest in assets held by the Foundation for the years ending June 30, 2020 and 2019 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 23,664	\$ -	\$ 482,232	\$ 505,896
Investment return: Net realized and unrealized appreciation	<u>31,490</u>	<u>-</u>	<u>-</u>	<u>31,490</u>
Endowment net assets, June 30, 2019	55,154	-	482,232	537,386
Investment return: Net realized and unrealized depreciation	<u>(2,856)</u>	<u>-</u>	<u>-</u>	<u>(2,856)</u>
Endowment net assets, June 30, 2020	<u>\$ 52,298</u>	<u>\$ -</u>	<u>\$ 482,232</u>	<u>\$ 534,530</u>

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - ENDOWMENT INVESTMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires Junior Achievement to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of June 30, 2020 and 2019.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Junior Achievement 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 Junior Achievement targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Return Objectives and Risk Parameters

Junior Achievement has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Junior Achievement has a policy of appropriating its endowment fund for distribution as needed. Distribution requires an affirmative majority vote of the Board of Directors. In establishing this policy, Junior Achievement considered the long-term expected return on its endowment. Accordingly, over the long term, Junior Achievement expects the current spending policy to allow its endowment to grow. This is consistent with Junior Achievement's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - FAIR VALUE OF ASSETS AND LIABILITIES

Financial assets and liabilities measured at fair value on a recurring basis consist of pledges receivable and beneficial interest in assets held by the Foundations. The following tables summarize the balances of Junior Achievement’s assets at June 30:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets For Identical Assets/Liabilities (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>			
Beneficial interest in assets held			
by Foundations	\$ 534,530	\$ -	\$ -
Investments	303,952	-	-
	<u>\$ 838,482</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2019</u>			
Beneficial interest in assets held			
by Foundations	\$ 537,386	\$ -	\$ -
Investments	407,001	-	-
	<u>\$ 944,387</u>	<u>\$ -</u>	<u>\$ -</u>

The beneficial interest in assets held by the Foundations is valued using quoted market prices of the underlying securities that comprise the interest.

NOTE 4 - NOTES PAYABLE

In December 2016, Junior Achievement entered into a long-term business loan agreement with a financial institution in the amount of \$300,000, to purchase fixed assets for the JA Finance Park. The note is payable in quarterly installments of interest only, and annual principal installments of \$35,714. The quarterly interest only payments are made in September, December, March and June of each year. The debt bears interest at 4.98% and is secured by all JA Finance Park equipment. This loan matures on December 21, 2021, but provides for two optional one-year extensions, provided that JA meets certain conditions. Under the note agreement, Junior Achievement is required to meet certain covenants. As of June 30, 2020, management believes Junior Achievement is in compliance with all covenants. The balance outstanding at June 30, 2020 was \$77,144.

On April 13, 2020, Junior Achievement received loan proceeds in the amount of \$257,600 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the allowable period. The amount forgiven will be recognized in fiscal year 2021 as other income in the Statement of Activities.

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JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - NOTES PAYABLE (CONTINUED)

In the event any portion of the PPP loan is not forgiven interest is accrued at 1% requiring payments beginning in November 2020. Junior Achievement believes its use of the loan proceeds will meet the conditions for forgiveness of the loan.

On June 15, 2020, Junior Achievement received Economic Injury Disaster Loan proceeds in the amount of \$160,000 from the U.S. Small Business Administration. All of which is required to be repaid. Installment payments including principal and interest of \$641 monthly, will begin twelve months from the date of the promissory note. Interest will accrue at 2.75% per annum. The balance is payable over a thirty year period from the date of the promissory note.

On May 20, 2020, Junior Achievement accepted terms of a loan from the Achievement Foundation in the amount of \$50,000. The purpose is to assist Junior Achievement areas who are in financial need by providing interest free loans. The loan is payable in twelve equal installments of \$4,167 payable quarterly beginning June 30, 2021.

NOTE 5 - PROPERTY AND EQUIPMENT

At June 30, property and equipment were as follows:

	2020	2019
Building	\$ 2,474,295	\$ 2,474,295
Equipment	565,333	565,333
Land	452,304	452,304
Furnitures and fixtures	116,224	116,224
Total	<u>3,608,156</u>	<u>3,608,156</u>
Accumulated depreciation	<u>(1,561,295)</u>	<u>(1,450,890)</u>
Property and equipment, net	<u>\$ 2,046,861</u>	<u>\$ 2,157,266</u>

Depreciation in the amount of \$110,405 and \$135,303 for the years ended June 30, 2020 and 2019, respectively, has been allocated to program and supporting activities in the statement of activities.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors for the years ended June 30:

Purpose and time restrictions:

	2020	2019
JA Classic	\$ 101,917	\$ 63,950
JA Finance Park	50,000	85,418
Business Success Series	10,000	-
JA Investor Challenge	6,250	31,500
Annual partnership	-	35,167
Total	<u>\$ 168,167</u>	<u>\$ 216,035</u>

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions, including cash and pledges receivable balances, were available for the following purposes or restricted for time at June 30:

	<u>2020</u>	<u>2019</u>
Annual partnership	\$ 54,766	\$ 56,633
JA Classic	29,000	59,200
JA Investor Challenge	17,250	23,250
Business Success Series	10,000	10,000
JA Finance Park	1,000	50,000
Perpetual Endowment	482,232	482,232
Total	<u>\$ 594,248</u>	<u>\$ 681,315</u>

NOTE 7 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 220,070
Pledges receivable	<u>306,961</u>
	<u>\$ 527,031</u>

Junior Achievement regularly monitors liquidity required to meet its operating needs and other contractual commitments. Junior Achievement depends on donations from corporations, foundations, individuals, as well as grants, to fund its normal day-to-day operations. Donation levels vary in response to fundraising campaigns throughout the year. Junior Achievement also maintains an investment account which is primarily intended to fund long-term obligations.

For purposes of analyzing resources available to meet general expenditures over a twelve month period, Junior Achievement considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next twelve months, Junior Achievement operates within a balanced budget and anticipates collecting sufficient revenues and grants to cover general expenditures.

NOTE 8 - RELATED PARTY TRANSACTIONS

Program and support fees are calculated based on JA Area revenue reported in the audited financial statements (subject to exclusions and phase-in adjustments as may be approved by JA USA) using the Revenue 3 Tier Model fee schedule as follow: 11.5% of gross revenues up to \$1 million, 9.5% of gross revenues above \$1 million and up to \$2 million and 7.5% of gross revenues above \$2 million. Fees paid to JA USA were \$162,450 and \$54,700 for the years ended June 30, 2020 and 2019, respectively.

Junior Achievement expended \$104,064 and \$207,094 during the years ended June 30, 2020 and 2019, respectively, to JA USA, for the purchase of various classroom program supplies and materials, JA Finance Park materials, and JA BizTown program fees and materials.

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - PENSION PLAN AND EMPLOYEE BENEFITS

Prior to June 30, 2019, Junior Achievement participated in a noncontributory defined benefit pension plan (the Plan). The Plan was administered by Junior Achievement USA (JA USA) and covered all full-time employees of the Junior Achievement, JA USA, JA Worldwide, Inc. and participating Junior Achievement Areas in the United States. The Plan is accounted for like a multi-employer plan. Benefits were determined based on years of service and salary history. The Plan's assets are invested in various investment funds. Prior to June 30, 2019, the respective participants' employers were required to fund the Plan, as determined by the JA USA's Board of Directors, based on an annual actuarial valuation. Prior to June 30, 2019, the JA USA made contributions equal to 16.75% of plan participants' eligible compensation. JA USA 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 JA USA.

Effective June 30, 2019, the Board of Directors of JA USA approved the termination of the Defined Benefit Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan shall liquidate and distribute each participant's accrued benefits as soon as administratively practicable. The Plan requires that participating employers (including JA USA) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied, and are thereby required to make contributions equal to 13.25% of participants' eligible compensation. As of June 30, 2020, the 13.25% contribution obligation has been fulfilled.

JA USA has a self-funded medical, dental and other benefits plan covering full-time employees of JA USA 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 JA USA, JA Worldwide, Inc. and employees of Junior Achievement USA chapters 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 JA USA or Junior Achievement.

During 2020, Plan participants elected the mode of their distribution (whether 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 (lump sum elections) or transferred (annuity elections). The remaining assets in the Plan, as detailed below, are restricted for additional, future termination and other required administrative expenses. Upon the conclusion of any necessary administrative proceedings and the final review by the Pension Benefit Guarantee Corporation (PBGC), any remaining Plan assets 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, 2020.

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 JA USA does not believe the implicit rate subsidy amount to be material, 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 JA USA or Junior Achievement.

(Continued)

JUNIOR ACHIEVEMENT OF OKLAHOMA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - PENSION PLAN AND EMPLOYEE BENEFITS (CONTINUED)

Junior Achievement of Oklahoma has a 401K Plan which covers all full-time employees, regardless of age. Junior Achievement made matching contributions of \$10,595 and \$9,975 during the years ended June 30, 2020 and 2019, respectively.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Junior Achievement's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents. Junior Achievement maintains its cash balances at local banks. At June 30, 2020, the balances were insured by the Federal Deposit Insurance Corporation. At times, Junior Achievement's deposits may exceed insured amounts. Management believes the risk related to these deposits are minimal.

Junior Achievement maintains investment accounts with various Foundations. The balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 coverage for cash and securities held by a firm that is forced into bankruptcy. Cash coverage is limited at \$250,000. At times, Junior Achievement's deposits may exceed insured amounts. Management believes the funds are not exposed to any significant risks due to the diversity of high-grade financial instruments held by the fund and management's routine assessment of the portfolio.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued Accounting Standards Update ASU 2016-02, Leases (Topic 842), which provides more transparency and comparability among organizations by recognizing leased assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted.

In 2018, the FASB issued ASU 2018-08 Clarifying the Scope and Accounting Guidance for Contributions Received and Made to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities, or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2019, for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

Junior Achievement will be evaluating the impact these standards will have on its financial statements and related disclosures.