

**JUNIOR ACHIEVEMENT OF
SOUTHEASTERN MICHIGAN, INC.**

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Junior Achievement of Southeastern Michigan, Inc.
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Achievement of Southeastern Michigan, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

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 Southeastern Michigan, 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.

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September 21, 2020

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENT OF FINANCIAL POSITION

	June 30	
	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,109,972	\$ 920,724
Current Investments	-	-
Pledges Receivable - net of allowance for uncollectable pledges in the amount of \$1,000 for 2020 and \$31,000 for 2019	260,000	349,420
Prepaid Assets	13,773	13,207
Total Current Assets	1,383,745	1,283,351
Long Term Assets		
Investments	285,659	271,632
Long-term Pledges - Restricted - net	125,000	125,000
Fixed Assets - net	1,970,650	1,995,675
Total Long Term Assets	2,381,309	2,392,307
Total Assets	\$ 3,765,054	\$ 3,675,658
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 3,119	\$ 52,882
Other Payables	44,751	52,096
Paycheck Protection Program Loan	189,682	-
Total Current Liabilities	237,552	104,978
Net Assets		
Net Assets without Donor Restrictions	2,625,641	3,030,262
Board Designated Net Assets	-	-
Total Net Assets without Donor Restrictions	2,625,641	3,030,262
Net Assets with Donor Restrictions	901,861	540,418
Total Net Assets	3,527,502	3,570,680
Total Liabilities and Net Assets	\$ 3,765,054	\$ 3,675,658

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total 2020	Total 2019
	Operating	Board Designated	Total			
Public Support and Revenues						
Contributions						
Corporate	\$ 696,890	\$ -	\$ 696,890	\$ 316,100	\$ 1,012,990	\$ 1,083,990
Individual	88,617	-	88,617	-	88,617	81,037
Foundations	27,330	-	27,330	125,000	152,330	106,136
Total Contributions	812,837	-	812,837	441,100	1,253,937	1,271,163
Special Events Gross	410,171	-	410,171	10,000	420,171	620,241
Less Special Event Expenses	68,352	-	68,352	-	68,352	141,567
Special Events Net	341,819	-	341,819	10,000	351,819	478,674
Governmental Revenue	-	-	-	-	-	10,000
Investment Return, Net	1,834	-	1,834	4,368	6,202	6,930
Unrealized Gains or Loss on Investments	-	-	-	8,850	8,850	7,750
In-Kind Contributions	59,730	-	59,730	-	59,730	134,359
Other Income	40,343	-	40,343	-	40,343	46,359
Net Assets Released						
Purpose Restrictions	102,875	-	102,875	(102,875)	-	-
Total Public Support and Revenues	1,359,438	-	1,359,438	361,443	1,720,881	1,955,235
Expenses						
Program Expense						
Traditional Programs	1,115,559	-	1,115,559	-	1,115,559	1,220,347
Finance Park	413,353	-	413,353	-	413,353	484,583
Total Program Expense	1,528,912	-	1,528,912	-	1,528,912	1,704,930
Supporting Services						
Management	36,951	-	36,951	-	36,951	31,876
Fundraising	198,196	-	198,196	-	198,196	210,505
Total Supporting Services	235,147	-	235,147	-	235,147	242,381
Total Expenses	1,764,059	-	1,764,059	-	1,764,059	1,947,311
Change in Net Assets	(404,621)	-	(404,621)	361,443	(43,178)	7,924
Net Assets, Beginning of Year	3,030,262	-	3,030,262	540,418	3,570,680	3,562,756
Net Assets, End of Year	\$ 2,625,641	\$ -	\$ 2,625,641	\$ 901,861	\$ 3,527,502	\$ 3,570,680

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total 2019	Total 2018
	Operating	Board Designated	Total			
Public Support and Revenues						
Contributions						
Corporate	\$ 983,990	\$ -	\$ 983,990	\$ 100,000	\$ 1,083,990	\$ 779,584
Individual	81,037	-	81,037	-	81,037	111,683
Foundations	88,261	-	88,261	17,875	106,136	245,746
Total Contributions	1,153,288	-	1,153,288	117,875	1,271,163	1,137,013
Special Events Gross	620,241	-	620,241	-	620,241	564,391
Less Special Event Expenses	141,567	-	141,567	-	141,567	187,412
Special Events Net	478,674	-	478,674	-	478,674	376,979
Governmental Revenue	10,000	-	10,000	-	10,000	10,000
Investment Return, Net	787	-	787	6,143	6,930	5,865
Unrealized Gains or Loss on Investments	-	-	-	7,750	7,750	15,210
In-Kind Contributions	134,359	-	134,359	-	134,359	194,983
Other Income	46,359	-	46,359	-	46,359	45,605
Net Assets Released						
Purpose Restrictions	134,606	-	134,606	(134,606)	-	-
Total Public Support and Revenues	1,958,073	-	1,958,073	(2,838)	1,955,235	1,785,655
Expenses						
Program Expense						
Traditional Programs	1,220,347	-	1,220,347	-	1,220,347	1,001,142
Finance Park	484,583	-	484,583	-	484,583	485,283
Total Program Expense	1,704,930	-	1,704,930	-	1,704,930	1,486,425
Supporting Services						
Management	31,876	-	31,876	-	31,876	34,233
Fundraising	210,505	-	210,505	-	210,505	224,482
Total Supporting Services	242,381	-	242,381	-	242,381	258,715
Total Expenses	1,947,311	-	1,947,311	-	1,947,311	1,745,140
Change in Net Assets	10,762	-	10,762	(2,838)	7,924	40,515
Restated Net Assets, Beginning of Year	3,019,500	-	3,019,500	543,256	3,562,756	3,522,241
Net Assets, End of Year	\$ 3,030,262	\$ -	\$ 3,030,262	\$ 540,418	\$ 3,570,680	\$ 3,562,756

See notes to financial statements.

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

	PROGRAM SERVICES			SUPPORTING SERVICES			Grand Total
	Traditional Programs	Finance Park	Total	Management	Fundraising	Total	
Salaries	\$ 558,576	\$ 162,589	\$ 721,165	\$ 24,337	\$ 124,658	\$ 148,995	\$ 870,160
Employee benefits, payroll taxes and related costs	159,888	49,782	209,670	5,508	25,299	30,807	240,477
General insurance	13,861	4,693	18,554	343	2,307	2,650	21,204
Outside service	22,339	5,268	27,607	363	2,450	2,813	30,420
Rent	1,261	9,216	10,477	44	195	239	10,716
Leased equipment	6,020	2,100	8,120	150	1,011	1,161	9,281
Office, telephone, and utilities	58,158	21,633	79,791	1,229	8,359	9,588	89,379
Training and seminar expenses	1,321	693	2,014	30	208	238	2,252
Travel	16,523	4,165	20,688	183	1,226	1,409	22,097
Volunteer training and recognition	371	-	371	-	-	-	371
Board and Committee	1,626	567	2,193	40	273	313	2,506
Public relations	19,760	5,884	25,644	419	2,831	3,250	28,894
Professional fees	15,095	4,974	20,069	354	2,393	2,747	22,816
Program materials	81,672	20,393	102,065	-	-	-	102,065
Participation fees	100,323	34,991	135,314	2,320	2,320	4,640	139,954
Fund raising expenses	-	-	-	-	10,378	10,378	10,378
Depreciation and amortization	29,235	48,396	77,631	738	9,802	10,540	88,171
Miscellaneous expenses	4,468	1,559	6,027	111	750	861	6,888
Allowance for uncollectible pledges	5,494	-	5,494	133	673	806	6,300
Contributions in-kind	19,568	36,450	56,018	649	3,063	3,712	59,730
Total Expenses	\$ 1,115,559	\$ 413,353	\$ 1,528,912	\$ 36,951	\$ 198,196	\$ 235,147	\$ 1,764,059
Percent of Total Expenses	64%	23%	87%	2%	11%	13%	100%

See notes to financial statements.

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

	PROGRAM SERVICES			SUPPORTING SERVICES			Grand Total
	Traditional Programs	Finance Park	Total	Management	Fundraising	Total	
Salaries	\$ 545,586	\$ 190,408	\$ 735,994	\$ 19,806	\$ 127,236	\$ 147,042	\$ 883,036
Employee benefits, payroll taxes and related costs	145,643	53,902	199,545	4,557	28,924	33,481	233,026
General insurance	9,845	8,985	18,830	338	1,920	2,258	21,088
Outside service	28,859	5,921	34,780	417	2,157	2,574	37,354
Rent	3,984	9,611	13,595	42	79	121	13,716
Leased equipment	5,093	2,280	7,373	172	892	1,064	8,437
Office, telephone & utilities	46,784	25,564	72,348	1,333	6,997	8,330	80,678
Training and seminar expenses	1,049	481	1,530	7	431	438	1,968
Travel	18,227	3,328	21,555	68	454	522	22,077
Volunteer training and recognition	651	422	1,073	22	113	135	1,208
Board and Committee	6,536	1,130	7,666	163	589	752	8,418
Loan disbursement	400	-	400	-	-	-	400
Public relations	24,135	20,773	44,908	857	4,690	5,547	50,455
Professional fees	11,836	4,925	16,761	372	1,926	2,298	19,059
Program materials	205,214	54,616	259,830	-	-	-	259,830
Participation fees	45,375	17,349	62,724	-	-	-	62,724
Fund raising expenses	-	-	-	-	14,431	14,431	14,431
Depreciation and amortization	37,329	44,213	81,542	1,270	8,031	9,301	90,843
Miscellaneous expenses	4,324	1,939	6,263	147	760	907	7,170
Allowance for uncollectible pledges	36,436	-	36,436	1,209	5,703	6,912	43,348
Contributions in-kind	43,041	38,736	81,777	1,096	5,172	6,268	88,045
Total Expenses	\$ 1,220,347	\$ 484,583	\$ 1,704,930	\$ 31,876	\$ 210,505	\$ 242,381	\$ 1,947,311
Percent of Total Expenses	63%	25%	88%	2%	10%	12%	100%

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (43,178)	\$ 7,924
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Change in Allowance for Uncollectible Pledges	(30,000)	30,000
Depreciation and Amortization	88,171	90,843
(Gain) Loss on Marketable Securities	(8,850)	(7,751)
Decrease in Pledges Receivable	119,420	136,327
(Increase) Decrease in Prepaid Expenses	(566)	4,418
(Decrease) in Accounts Payable and Accrued Expenses	(57,108)	(35,830)
Net Cash Provided by Operating Activities	67,889	225,931
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Marketable Securities	(5,177)	(6,144)
Expenditures for Property and Equipment	(63,146)	-
Net Cash Used by Investing Activities	(68,323)	(6,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	189,682	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	189,248	219,787
CASH AND CASH EQUIVALENTS, at beginning of year	920,724	700,937
CASH AND CASH EQUIVALENTS, at end of year	\$ 1,109,972	\$ 920,724

See notes to financial statements.

**JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF ORGANIZATION

Junior Achievement of Southeastern Michigan, Inc. was organized in September 1949 as a private, nonprofit corporation. The Organization was formed to provide young people with practical economic education programs and experiences in the competitive private enterprise system through a partnership with the business and education communities.

The Organization is dedicated to educating students in grades K-12 about entrepreneurship, work readiness, and financial literacy through experiential, hands-on programs. The programs help prepare young people for the real world by showing them how to generate income and effectively manage it, how to create jobs which make their communities more robust, and how to apply entrepreneurial thinking to the workplace. Students put these lessons into action, and learn the value of contributing to their communities. The Organization's unique approach allows volunteers from the community to deliver our curriculum while sharing their experiences with students. Embodying the heart of the Organization, the classroom volunteers transform the key concepts of the lessons into a message that inspires and empowers students to believe in themselves, showing them they can make a difference in the world.

The Organization also offers two additional opportunities for young people. The Quicken Loans *JA Finance Park*® program is a reality based hands-on simulation for middle grade students that enables them to build foundations for making intelligent lifelong personal finance decisions. Students create personal budgets and are introduced to automotive transportation, banking, clothing, communications, education, entertainment, food, furniture, healthcare, home improvement, housing, insurance, investing, mortgage, non-profit and utility industries and careers. Most of all, the hands-on nature of the program helps students develop a realistic understanding of the economic issues they will face upon graduation. The *JA Job Shadow* program is an academically motivating activity designed to give students the unique opportunity of an up-close look at the world of work and provide the answer to the commonly asked question, "Why do I have to learn this?" This program introduces students to careers through one-day, on-site workplace orientations. The program invites students to see first-hand how the skills learned in school relate to the workplace while providing examples of a variety of career opportunities.

The Organization operates under a Board of Directors and a President/Chief Executive Officer (CEO). The Organization's major sources of revenue are from the contributions from various foundations, corporations, and individuals, and also revenues generated from various special fundraising events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Organization conform to U.S. generally accepted accounting policies (GAAP) as applicable to nonprofit entities. The financial accounting standards board (FASB) is the accepted standard setting body for establishing non-profit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Organization:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Income is recognized when earned and expenses are recognized when incurred.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of a checking account and money market funds.

Investments

Investments include mutual funds and have readily determinable fair values and are stated at fair value as of June 30, 2020 and 2019. Fair values of all these short-term investments are determined based on quoted market prices and other relevant information generated by market transactions. Realized and unrealized gains or losses on investments are recorded in the statement of activities in the period that such gains or losses occur. Interest income is recorded when earned on an accrual basis. There were no changes in valuation techniques and related inputs during the period.

Pledges Receivable

Unconditional pledges are recognized as revenues in the period the pledge is made. Revenue on conditional pledges is recognized only when the conditions on which they depend are substantially met. These amounts, less an appropriate allowance, are recorded at their estimated fair value. The Organization accounts for bad debts on the reserve method computed on prior years' experience and management's estimate of the collectability of each specific pledge. Pledges to be collected over a period greater than one year have not been discounted, as management considers the discounts to be immaterial.

	2020	2019
Pledges receivable, beginning of year	\$ 474,420	\$ 640,747
Pledges receivable, end of year	\$ 385,000	\$ 474,420

Fixed Assets

Property and equipment acquired by the Organization are stated at cost, with items capitalized based on having a useful life of greater than one year and a historical cost of \$2,000 or more. Donated property and equipment are recorded at the fair value on the date of donation. Depreciation is provided using the straight-line method over the useful lives of the respective assets, which is 40 years for buildings and building improvements and range from three to seven years for equipment.

Paycheck Protection Program Loan

On April 13, 2020, the Organization received a \$189,682 loan under the CARES Act through the Paycheck Protection Program. The liability is potentially forgivable, to the extent the funds are used for eligible expenses over the 24-week period following the issue date. Repayment terms are one lump sum payment including interest of 1% through maturity of April 13, 2022. The Organization anticipates full loan forgiveness.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Functional Allocated Costs

Certain costs of the Organization have been allocated to program services, management, and fundraising activities. These costs are allocated on a basis reflecting either actual or estimated actual activity.

Net Assets

Net assets, revenues, gains and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions as of June 30, 2020 were \$2,625,641. Net assets without donor restrictions as of June 30, 2019 were \$3,030,262.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor-imposed restrictions as of June 30, 2020 consists of the following:

	2020	2019
Programs for 2019 - 2020	\$ -	\$ 193,786
Programs for 2020 - 2021	491,202	25,000
Programs for 2021 - 2022	75,000	25,000
Programs for 2022 - 2023	50,000	25,000
Endowment Investments	110,500	110,500
Scholarships	175,159	161,132
	\$ 901,861	\$ 540,418

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 21, 2020, the date the financial statements were available to be issued. No subsequent events requiring disclosure were noted.

Reclassification

Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

NOTE 3 - TAX STATUS

Junior Achievement of Southeastern Michigan, Inc. is a nonprofit organization and has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was included in a group ruling issued to Junior Achievement USA which is located in Colorado Springs, Colorado. The Organization is not classified as a private foundation.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain taxes positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, State and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of June 30, 2020 and 2019 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 1,109,972	\$ 920,724
Investments	285,659	271,632
Receivables		
Pledges due within one year	260,000	349,420
Long-term pledges	<u>125,000</u>	<u>125,000</u>
Financial assets, at year end	1,780,631	1,666,776
Donor imposed restrictions		
Less: subject to the passage of time	(616,202)	(268,786)
Endowment fund		
Less: Perpetual funds	(110,500)	(110,500)
Less: Purpose restricted funds	<u>(175,159)</u>	<u>(161,132)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 878,770</u>	<u>\$ 1,126,358</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Pledges receivable in less than one year		
(net of allowance for uncollectible pledges in the amount of \$1,000 for 2020 and \$31,000 for 2019)	\$ 260,000	\$ 349,420
Pledges receivable in one to five years	<u>125,000</u>	<u>125,000</u>
	<u>\$ 385,000</u>	<u>\$ 474,420</u>

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENT ASSETS

In 1978, a Scholarship Fund was created as a result of contributions from a donor to create a permanent endowment for the Organization. The purpose of the Scholarship Fund is to award scholarships to worthy Junior Achievement participants to assist them in attending a college, professional, or vocational school of their choice. The principal contribution amounts totaling \$110,500 is included in net assets with donor restrictions and only the earnings on the accounts are to be used to distribute scholarships. Funds are currently held in a mutual fund investment account with J.P. Morgan Securities LLC.

NOTE 7 - FINANCIAL INSTRUMENTS

All financial instruments are held for purposes other than trading. For cash and cash equivalents and pledges receivable, it is determined that fair values approximate carrying values due to the short maturity of these instruments.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Organization has deposits held by financial institutions that are not federally insured because they exceed the insurance limits. As of June 30, 2020, the Organization's uninsured deposits totaled \$969,161. As of June 30, 2019, the Organization's uninsured deposits totaled \$1,020,073.

NOTE 9 - FAIR VALUE MEASUREMENT

A hierarchy has been established that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under GAAP are described below.

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - FAIR VALUE MEASUREMENT (continued)

The following is a market value summary by the level of inputs used, as of June 30, 2020, in evaluating the Organization's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Valued on recurring basis				
Mutual fund	\$ 285,659	\$ 285,659	\$ -	\$ -

The following is a market value summary by the level of inputs used, as of June 30, 2019, in evaluating the Organization's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Valued on recurring basis				
Mutual fund	\$ 271,632	\$ 271,632	\$ -	\$ -

NOTE 10 - FIXED ASSETS

Depreciation expense was \$88,171 for 2020 and \$90,843 for 2019. Fixed assets consisted of the following at June 30:

	2020	2019
Land	\$ 236,000	\$ 236,000
Building and improvements	2,999,238	2,936,092
Furniture and fixtures	324,174	324,174
Computer equipment	39,983	39,983
Total fixed assets	3,599,395	3,536,249
Less accumulated depreciation	(1,628,745)	(1,540,574)
	\$ 1,970,650	\$ 1,995,675

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - RELIANCE ON FUNDING SOURCES

The Organization receives a substantial amount of its support from grants and contributions from corporations, businesses, and individuals. A significant reduction in the level of this support, if it were to occur, may have an adverse effect on the Organization's programs and activities.

NOTE 12 - RETIREMENT PLAN

Defined Benefit Pension Plan

Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by the Organization and covered all full-time employees of the JA USA Organization, 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 Organization's Board of Directors, based on an annual actuarial valuation. Prior to June 30, 2019, the Organization made contributions equal to 16.75% of plan participants' eligible compensation. 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.

Effective June 30, 2019, the Board of Directors of the JA USA Organization 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 the Organization) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied.

Defined Contribution Plan

The Organization is the sponsor of a retirement plan for the sole benefit of its employees. In January 2020, the Board of Directors of the Organization entered into an agreement to adopt the JA USA defined contribution plan. The plan is administered through Paychex. All employees of the Organization are eligible to participate in the plan. The Organization offers a Basic Safe Harbor Match that requires employees to defer compensation to receive contribution, at the rate of 100% of 3% plus 50% of the next 2% contributed. All safe harbor contributions are 100% vested.

For the year ended June 30, 2020, the Organization had total payroll of \$830,915. The Organization made contributions to the plan in the amount of \$11,349. The employees of the Organization made contributions to the plan in the amount of \$17,233.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 - NEW ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which it and all subsequent amendments to the ASU No. 2014-09, replaced most existing revenue recognition guidance in U.S. GAAP. The Organization adopted the provisions of this guidance on January 1, 2019 using the retrospective approach. The Organization has performed an assessment of its revenue contracts as well as worked with industry participants on matters of interpretation and application and has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Organization's accounting policies did not change materially as a result of applying the principles of revenue recognition from ASU 2014-09 and are largely consistent with existing guidance and current practices applied by the Organization.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance to distinguish recognition practices of contribution activity related to the adoption of ASU 2014-09. The Organization adopted the provisions of this guidance in conjunction with ASU 2014-09. There was no impact to revenue recognized for the years ended June 30, 2020 and 2019 as a result of implementing ASU 2018-08.

NOTE 14 - RESTATEMENT OF BEGINNING NET POSITION

Beginning net assets have been restated to conform with the June 30, 2020 reporting requirements.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets at July 1, 2019 (as previously reported)	\$ 2,869,130	\$ 701,550	\$ 3,570,680
Reclassifications	<u>161,132</u>	<u>(161,132)</u>	<u>-</u>
Net assets at July 1, 2019 (as restated)	<u>\$ 3,030,262</u>	<u>\$ 540,418</u>	<u>\$ 3,570,680</u>

NOTE 15 - SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.