

JUNIOR ACHIEVEMENT OF SOUTHERN
MASSACHUSETTS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
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JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Junior Achievement of
Southern Massachusetts, Inc.

We have audited the accompanying financial statements of Junior Achievement of Southern Massachusetts, Inc. (a nonprofit organization), 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 2018 financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Southern Massachusetts, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2017 were audited by Meyer, Regan & Wilner, LLP, who merged with Kevin P. Martin & Associates, P.C. as of October 1, 2018, and whose report dated November 30, 2017, expressed an unmodified opinion on those statements.

Kevin P. Martin & Associates P.C.

November 8, 2018

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash	\$ 94,438	\$ 68,919
Pledges Receivable	20,100	21,015
Prepaid Expense	<u>3,626</u>	<u>-</u>
Total Current Assets	<u>118,164</u>	<u>89,934</u>
 <u>Other Assets</u>		
Equipment, Net	<u>889</u>	<u>1,116</u>
 TOTAL ASSETS	 <u>\$ 119,053</u>	 <u>\$ 91,050</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts Payable	\$ 342	\$ 408
Accrued Expenses	4,034	4,061
Line of Credit	<u>-</u>	<u>7,600</u>
Total Current Liabilities	<u>4,376</u>	<u>12,069</u>
 <u>Net Assets</u>		
Unrestricted Net Assets:		
Undesignated	67,427	38,731
Board Designated	<u>750</u>	<u>750</u>
Total Unrestricted Net Assets	68,177	39,481
Temporarily Restricted	<u>46,500</u>	<u>39,500</u>
Total Net Assets	<u>114,677</u>	<u>78,981</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 119,053</u>	 <u>\$ 91,050</u>

See accompanying notes to financial statements

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>			
Contributions:			
Corporate	\$ 49,075	\$ 14,500	\$ 63,575
Individual	6,870	-	6,870
Foundations	<u>150,130</u>	<u>20,000</u>	<u>170,130</u>
Total	<u>206,075</u>	<u>34,500</u>	<u>240,575</u>
Special Events:			
Gross Revenue	50,459	-	50,459
Less: Expenses (Direct Benefits to Donors)	<u>(12,985)</u>	<u>-</u>	<u>(12,985)</u>
Net Special Events Revenue	<u>37,474</u>	<u>-</u>	<u>37,474</u>
Government Grant	3,207	-	3,207
In-Kind Contributions	22,007	-	22,007
Interest	48	-	48
Net Assets Released from Restriction	<u>27,500</u>	<u>(27,500)</u>	<u>-</u>
Total Revenue and Support	<u>296,311</u>	<u>7,000</u>	<u>303,311</u>
<u>Expenses and Loss</u>			
Program Services	232,720	-	232,720
General and Administrative	16,400	-	16,400
Fundraising	<u>16,995</u>	<u>-</u>	<u>16,995</u>
	266,115	-	266,115
Loss on Uncollectible Pledge	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Expenses and Loss	<u>267,615</u>	<u>-</u>	<u>267,615</u>
Change in Net Assets	28,696	7,000	35,696
Net Assets, Beginning of Year	<u>39,481</u>	<u>39,500</u>	<u>78,981</u>
Net Assets, End of Year	<u>\$ 68,177</u>	<u>\$ 46,500</u>	<u>\$ 114,677</u>

See accompanying notes to financial statements

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>			
Contributions:			
Corporate	\$ 42,760	\$ 9,000	\$ 51,760
Individual	5,641	-	5,641
Foundations	<u>125,400</u>	<u>25,250</u>	<u>150,650</u>
Total	<u>173,801</u>	<u>34,250</u>	<u>208,051</u>
Special Events:			
Gross Revenue	91,994	-	91,994
Less: Expenses (Direct Benefits to Donors)	<u>(39,624)</u>	<u>-</u>	<u>(39,624)</u>
Net Special Events Revenue	<u>52,370</u>	<u>-</u>	<u>52,370</u>
Government Grant	6,995	-	6,995
In-Kind Contributions	32,382	-	32,382
Interest	33	-	33
Net Assets Released from Restriction	<u>23,250</u>	<u>(23,250)</u>	<u>-</u>
Total Revenue and Support	<u>288,831</u>	<u>11,000</u>	<u>299,831</u>
<u>Expenses and Loss</u>			
Program Services	250,091	-	250,091
General and Administrative	15,346	-	15,346
Fundraising	<u>23,271</u>	<u>-</u>	<u>23,271</u>
	288,708	-	288,708
Loss on Uncollectible Pledge	<u>400</u>	<u>-</u>	<u>400</u>
Total Expenses and Loss	<u>289,108</u>	<u>-</u>	<u>289,108</u>
Change in Net Assets	(277)	11,000	10,723
Net Assets, Beginning of Year	<u>39,758</u>	<u>28,500</u>	<u>68,258</u>
Net Assets, End of Year	<u>\$ 39,481</u>	<u>\$ 39,500</u>	<u>\$ 78,981</u>

See accompanying notes to financial statements

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 102,538	\$ 4,290	\$ 8,580	\$ 115,408
Payroll Taxes	8,744	288	576	9,608
Employee Insurance	3,286	210	419	3,915
Worker's Compensation Insurance	<u>674</u>	<u>22</u>	<u>44</u>	<u>740</u>
 Total Employee Costs	 115,242	 4,810	 9,619	 129,671
 Program Materials and Expenses	 66,177	 237	 445	 66,859
License Fees	18,700	590	394	19,684
Rent	5,874	264	462	6,600
Frozen Pension Cost	8,358	276	551	9,185
Office and Postage Expense	4,942	281	545	5,768
Telephone	2,039	120	240	2,399
Professional Fees	5,798	9,529	97	15,424
Fundraising Supplies	-	-	539	539
Special Events Expenses (In-Kind)	-	-	3,755	3,755
Volunteer Meetings	728	33	57	818
Training and Travel	3,977	221	221	4,419
Depreciation	770	34	61	865
Interest Expense	<u>115</u>	<u>5</u>	<u>9</u>	<u>129</u>
 Total Expenses	 <u>\$ 232,720</u>	 <u>\$ 16,400</u>	 <u>\$ 16,995</u>	 <u>\$ 266,115</u>

See accompanying notes to financial statements

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 106,747	\$ 3,185	\$ 6,369	\$ 116,301
Payroll Taxes	9,136	301	602	10,039
Employee Insurance	3,154	135	269	3,558
Worker's Compensation Insurance	<u>362</u>	<u>12</u>	<u>24</u>	<u>398</u>
 Total Employee Costs	 119,399	 3,633	 7,264	 130,296
 Program Materials and Expenses	 78,314	 189	 342	 78,845
License Fees	18,967	599	399	19,965
Rent	5,740	258	452	6,450
Frozen Pension Cost	8,358	276	551	9,185
Office, Postage and Dues Expense	4,004	200	943	5,147
Telephone & Utilities	2,411	137	271	2,819
Professional Fees	7,296	9,774	98	17,168
Fundraising Supplies	-	-	1,593	1,593
Special Events Expenses (In-Kind)	-	-	10,978	10,978
Volunteer Meetings	1,731	78	136	1,945
Training and Travel	2,626	146	146	2,918
Depreciation	823	37	65	925
Interest Expense	<u>422</u>	<u>19</u>	<u>33</u>	<u>474</u>
 Total Expenses	 <u>\$ 250,091</u>	 <u>\$ 15,346</u>	 <u>\$ 23,271</u>	 <u>\$ 288,708</u>

See accompanying notes to financial statements

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 35,696	\$ 10,723
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	865	925
Loss from Uncollectible Pledge	1,500	400
(Increase) Decrease in:		
Pledges Receivable	(585)	(9,965)
Prepaid Expense	(3,626)	155
Security Deposit	-	400
Increase (Decrease) in:		
Accounts Payable	(66)	(144)
Accrued Expenses	(27)	640
	33,757	3,134
<u>Cash Flows from Investing Activities:</u>		
Cash Paid for Equipment	(638)	-
<u>Cash Flows from Financing Activities:</u>		
Principal Payments on Line of Credit	(7,600)	(2,400)
Net Increase in Cash	25,519	734
Cash, Beginning of Year	68,919	68,185
Cash, End of Year	\$ 94,438	\$ 68,919
 Supplemental Disclosure:		
Interest Paid	\$ 129	\$ 474

See accompanying notes to financial statements

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 - ORGANIZATION AND NATURE OF OPERATIONS

Junior Achievement of Southern Massachusetts, Inc. (JA) was organized as a not-for-profit corporation in July 1993 under Chapter 180 of the general laws of the Commonwealth of Massachusetts and operates as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

JA offers innovative financial literacy, college and career readiness, and entrepreneurship education to over 6,000 local students in grades K-12 each year. JA empowers students to make a connection between what they learn in school and how it can be applied in the real world, enhancing the relevance of their classroom learning and increasing their understanding of the value of staying in and excelling at school.

By matching community volunteers with local classrooms, JA teaches students the skills they will need to succeed in the real world through age-appropriate, activity-based lessons. JA courses are typically run once weekly for 5-7 weeks, with volunteers delivering relevant curriculum along with their own personal experiences to teach children how they can impact the world around them as individuals, workers and consumers. Funding for JA programs comes primarily from corporate donations, special events and foundation grants.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and payables. A summary of significant accounting policies consistently applied are described below to enhance the usefulness of the financial statements to the reader.

JA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include amounts designated by the board for a particular purpose. At June 30, 2018 and 2017, JA had no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, JA considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. At June 30, 2018 and 2017, there were no cash equivalents.

Revenue Recognition

Contributions - JA recognizes all contributions and support received as income in the period in which it is received. Contributions are reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give are recognized as revenue in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (Cont'd)

Special Events – Special events revenue is primarily derived from contributions collected. Special events revenue is recognized when earned and the related direct expenses have been deducted from gross revenue in the accompanying statements of activities. The special event revenue is derived from JA's bowling and golf events.

In-Kind Contributions – In-Kind contributions are made up of donated services, facilities and materials. Donated services are reported when services are performed which would otherwise have been purchased or performed by JA personnel. Donated facilities and materials are reported as contributions in the financial statements at their estimated fair value at the time of receipt.

Pledges Receivable

JA raises funds for operations or for a specific purpose. Pledges are recorded and presented at the fair value of the pledge and at the amount management expects to collect.

Equipment

Equipment is stated at cost or, in the case of donated assets, the fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful life of the equipment. JA's capitalization policy is to capitalize equipment with a value of \$500 or more.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs are allocated to functions based on time charges. Occupancy costs are allocated based upon full-time equivalent units.

Income Taxes

JA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the general laws of the Commonwealth of Massachusetts. Accordingly, no provisions have been made for federal and state income taxes in the accompanying financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Pronouncements

Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities, an amendment to Topic 958, Not-for-Profit Entities*, was issued by the Financial Accounting Standards Board in June 2016 with an effective date for fiscal years beginning after December 15, 2017. The purpose of this amendment is to improve the transparency and utility of information contained in the financial statements of such entities. Net assets will be presented in two categories, net assets with donor restrictions and net assets without donor restrictions, as opposed to the current three categories. Additional information and disclosures will be required to enable a reader to more readily understand liquidity limitations due to restrictions on net assets. Early application is permitted. Management has not begun its review of the standards, but does not expect implementation to have a material effect on financial position or results of operations.

Note 3 - PLEDGES RECEIVABLE

Unconditional pledges receivable at June 30, 2018 and 2017, totaling \$20,100 and \$21,015, respectively, are expected to be realized in one year or less. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2018 and 2017.

Note 4 - EQUIPMENT

Equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Equipment and Furniture	\$ 5,855	\$ 5,217
Less: Accumulated Depreciation	<u>(4,966)</u>	<u>(4,101)</u>
	<u>\$ 889</u>	<u>\$ 1,116</u>

Note 5 - LINE OF CREDIT

JA has a \$30,000 revolving line of credit with a bank. Interest is payable monthly and the outstanding principal is due on demand. The interest rate was 6.0% and 5.25% at June 30, 2018 and 2017, respectively.

There was no balance due at June 30, 2018. Outstanding borrowings under this line of credit at June 30, 2017 totaled \$7,600. The line of credit is guaranteed with a first security interest in all business assets.

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 6 - OPERATING LEASE

JA rents its administrative office under a two-year lease arrangement requiring monthly payments of \$550, expiring November 30, 2018. Total rent expense paid during the years ended June 30, 2018 and 2017 was \$6,600 and \$6,450, respectively. JA has signed a two-year lease extension commencing on December 1, 2018 with a monthly payment of \$605.

The future minimum lease payments required under this lease are as follows at June 30:

2019		\$ 6,985
2020		7,260
2021		<u>4,235</u>
		<u>\$ 18,480</u>

Note 7 - BOARD DESIGNATED NET ASSETS

The board has designated \$750 of unrestricted net assets for Titan scholarships.

Note 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2018, temporarily restricted net assets are restricted for the following purposes.

Program Services		
Spark		\$ 27,750
Titan Scholarships		<u>18,750</u>
Total		<u>\$ 46,500</u>

Note 9 - PENSION PLAN

Junior Achievement USA administers a noncontributory defined benefit pension plan (the Plan). The Plan is accounted for like a multi-employer plan. Benefits are determined based on years of service and salary history.

JA has elected to freeze their participation in the pension plan; therefore, current employees are not covered. Organizations in this status pay a lower contribution rate. The rate for 2018 and 2017 was 13.25%. The fixed basis upon which the contribution rate is applied is \$69,318, and totaled \$9,185 for years ended June 30, 2018 and 2017.

Participating employers who withdrew from the Plan remain liable for accumulated funding obligations. It is not practical to estimate JA's share of the Plan benefit obligation. Therefore, no liability for future pension costs has been recorded. At June 30, 2018 and 2017, the fair value of the Plan assets was approximately 92% and 79% of the projected benefit obligation of the Plan, respectively.

JUNIOR ACHIEVEMENT OF SOUTHERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 10- RELATED PARTY TRANSACTIONS

An operating agreement exists between JA and Junior Achievement USA for the purpose of obtaining certain rights to use Junior Achievement USA's Programs and Properties exclusively in JA's geographic territory. This agreement was updated as of July 1, 2011 and has an eight-year term.

Transactions occur regularly between JA and Junior Achievement USA. Included in program material and expenses and license fees in the statements of functional expenses are the following:

	<u>2018</u>	<u>2017</u>
Materials and Other Supplies	\$ 30,474	\$ 28,003
Program Insurance	1,015	787
License Fees	<u>19,684</u>	<u>19,965</u>
Total	<u>\$ 51,173</u>	<u>\$ 48,755</u>

Note 11- CONCENTRATIONS

Concentrations of credit risk with respect to pledges receivable are due to the geographic concentration of the donors, substantially all of whom are local residents and companies.

Note 12- IN-KIND CONTRIBUTIONS

Donated materials, facilities and services recorded at fair value and recognized in the financial statements consist of the following:

	<u>2018</u>	<u>2017</u>
Materials	\$ 12,197	\$ 19,758
Facilities	5,210	6,224
Services	<u>4,600</u>	<u>6,400</u>
Total	<u>\$ 22,007</u>	<u>\$ 32,382</u>

JA receives a significant amount of volunteer services that are not stated above. A total of 204 and 214 volunteers (unaudited) taught 304 and 340 programs (unaudited) in local classrooms and schools for the years ended June 30, 2018 and 2017, respectively. Since JA would not purchase these services if they were not provided by volunteers, such support is not reflected in the accompanying financial statements.

Note 13- SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 8, 2018, the date the financial statements were available to be issued. Other than the lease extension described in Note 6, no other events requiring disclosure subsequent to year-end were noted.