

JUNIOR ACHIEVEMENT OF
NORTH CENTRAL OHIO, INC.

FINANCIAL REPORT

JUNE 30, 2020

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-19
SUPPLEMENTARY INFORMATION	
Revenue Subject to License Fee	20-21

Independent Auditors' Report

To the Board of Directors
Junior Achievement of North Central Ohio, Inc.
Canton, Ohio

We have audited the accompanying financial statements of Junior Achievement of North Central Ohio, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 the 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 auditors consider 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 North Central Ohio, Inc. as of June 30, 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The revenue subject to license fee on pages 20 and 21 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Meloney + Novotny LLC

Canton, Ohio
October 22, 2020

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 207,013
Current investments	-
Pledges receivable - net	38,017
Prepaid assets	12,565
Total current assets	257,595

LONG TERM ASSETS

Investments	147,510
Beneficial interest in fund held at Akron Community Foundation	472,198
Fixed assets - net	444,403
Total long term assets	1,064,111

Total assets	\$ 1,321,706
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 11,482
Accrued expenses	29,156
Deferred revenue	27,720
Current maturity of long-term debt	3,333
Total current liabilities	71,691

LONG-TERM LIABILITIES

Long-term debt	149,167
Total long-term liabilities	149,167

Total liabilities	220,858
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NET ASSETS

Net assets without donor restrictions	414,952
Board designated net assets	83,417
Total net assets without donor restrictions	498,369

Net assets with donor restrictions	602,479
Total net assets	1,100,848

Total liabilities and net assets	\$ 1,321,706
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The accompanying notes are an integral part of these financial statements.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

PUBLIC SUPPORT AND REVENUES	Net assets without donor restrictions			Net assets with donor restrictions	
	Operating	Board designated	Total	restrictions	Total
Contributions:					
Corporate	\$ 229,860	\$ -	\$ 229,860	\$ 4,750	\$ 234,610
Individual	20,134	-	20,134	33,268	53,402
Foundations	236,332	-	236,332	17,050	253,382
Total contributions	486,326	-	486,326	55,068	541,394
Special events gross	47,708	-	47,708	-	47,708
Less special event expenses	(4,580)	-	(4,580)	-	(4,580)
Special events net	43,128	-	43,128	-	43,128
Governmental revenue	-	-	-	-	-
Investment return, net	-	3,519	3,519	5,795	9,314
Unrealized gain on investments	-	987	987	4,607	5,594
Realized loss	-	-	-	(4,480)	(4,480)
In-kind contributions	35,886	-	35,886	-	35,886
Other income	1,602	-	1,602	-	1,602
Net assets released					
Purpose restrictions	114,258	(14,200)	100,058	(100,058)	-
Time restrictions	3,000	-	3,000	(3,000)	-
TOTAL PUBLIC SUPPORT AND REVENUES	684,200	(9,694)	674,506	(42,068)	632,438
EXPENSES					
Program expenses					
High school	330,601	-	330,601	-	330,601
Middle grades	242,848	-	242,848	-	242,848
Elementary	145,708	-	145,708	-	145,708
	719,157	-	719,157	-	719,157
Fund raising expense	62,637	-	62,637	-	62,637
Management and general expense	93,600	-	93,600	-	93,600
Losses	-	-	-	-	-
TOTAL EXPENSES	875,394	-	875,394	-	875,394
CHANGE IN NET ASSETS	(191,194)	(9,694)	(200,888)	(42,068)	(242,956)
NET ASSETS, BEGINNING OF YEAR					
- As Previously Reported	604,696	93,111	697,807	807,796	1,505,603
PRIOR PERIOD ADJUSTMENT	1,450	-	1,450	(163,249)	(161,799)
NET ASSETS, BEGINNING OF YEAR					
- As Restated	606,146	93,111	699,257	644,547	1,343,804
NET ASSETS, END OF YEAR	<u>\$ 414,952</u>	<u>\$ 83,417</u>	<u>\$ 498,369</u>	<u>\$ 602,479</u>	<u>\$ 1,100,848</u>

The accompanying notes are an integral part of these financial statements.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services				Supporting Services		
	High School	Middle Grades	Elementary	Total	Management and General	Fund Raising	Total
Salaries	\$ 187,563	\$ 137,241	\$ 82,345	\$ 407,149	\$ 33,697	\$ 36,598	\$ 477,444
Payroll taxes	17,003	12,441	7,465	36,909	1,244	3,318	41,471
Employee insurance	10,304	7,540	4,524	22,368	754	2,011	25,133
Pension plan	11,327	8,288	4,973	24,588	829	2,210	27,627
TOTAL PAYROLL AND RELATED BENEFITS	226,197	165,510	99,307	491,014	36,524	44,137	571,675
Professional fees	16,848	12,828	7,696	37,372	1,283	3,422	42,077
Advertising	690	505	303	1,498	50	136	1,684
Office expenses	7,414	5,425	3,255	16,094	542	1,447	18,083
IT expenses	1,639	1,199	720	3,558	120	320	3,998
Occupancy	5,018	3,672	2,203	10,893	367	979	12,239
Travel	5,333	3,902	2,341	11,576	390	1,040	13,006
Conferences and meetings	33	24	14	71	2	8	81
Interest	470	344	205	1,019	34	93	1,146
National license fee	33,795	24,850	14,910	73,555	12,530	7,915	94,000
Depreciation	5,392	4,446	2,668	12,506	445	1,185	14,136
Insurance	5,599	4,097	2,458	12,154	410	1,092	13,656
Program materials	8,919	6,348	3,809	19,076	635	1,693	21,404
Scholarships	6,667	4,878	2,927	14,472	488	1,300	16,260
Miscellaneous	1,592	1,165	699	3,456	8,451	27,860	39,767
Training	2,389	1,748	1,049	5,186	175	466	5,827
Dues and subscriptions	2,606	1,907	1,144	5,657	191	507	6,355
Cost of direct benefit to donors	-	-	-	-	-	4,580	4,580
Total expenses by function	330,601	242,848	145,708	719,157	62,637	98,180	879,974
Less expenses net against revenues:							
Cost of direct benefit to donors	-	-	-	-	-	(4,580)	(4,580)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	\$ 330,601	\$ 242,848	\$ 145,708	\$ 719,157	\$ 62,637	\$ 93,600	\$ 875,394

The accompanying notes are an integral part of these financial statements.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (242,956)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	14,136
Unrealized (gain) on investments and beneficial interests	(5,594)
Realized loss on investments and beneficial interests	4,480
Interest and dividends reinvested, net of fees	(9,314)
Loss on disposal of fixed assets	270
(Increase) decrease:	
Pledges receivable - net	58,048
Inventory	242
Prepaid assets	506
Increase (decrease):	
Accounts payable	(5,912)
Accrued expenses	25,027
Deferred revenue	27,720
Net cash (used) by operating activities	(133,347)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments / distribution from beneficial interests	114,258
Purchases of investments / contributions to beneficial interests	(23,342)
Net cash provided by investing activities	90,916

CASH FLOWS FROM FINANCING ACTIVITIES

Net payments on line of credit	(20,719)
Proceeds from long-term debt	152,500
Net cash provided by financing activities	131,781

NET INCREASE IN CASH AND CASH EQUIVALENTS 89,350

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 117,663

CASH AND CASH EQUIVALENTS - END OF YEAR \$ **207,013**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$ 1,146
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The accompanying notes are an integral part of these financial statements.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

- A. Organization – Junior Achievement of North Central Ohio, Inc. (a nonprofit organization) (the "Organization") is an affiliate of Junior Achievement USA (the "National Organization"). The Organization inspires and prepares young people to succeed in the global economy. Volunteer delivered, experiential programs give students knowledge and skills in financial literacy, work readiness and entrepreneurship. The Organization helps to enhance the relevance of students' classroom learning and increase their understanding of the value of staying in school. The Organization maintains its operating center in Canton, which serves Medina, Portage, Summit, Holmes, Coshocton, Ashland, Richland, Knox, Crawford, Morrow, Wayne, Stark, Carroll, Tuscarawas and Marion counties.

The Organization currently supplements current school curriculum with the following sequential economic programs taught by local area business and community volunteers (consultants):

The elementary school program is designed to enhance basic understanding of a free market economy. By learning the principles of economics at an early age, students are better prepared to make decisions about their future because they understand the economic impact of those decisions.

The middle school program develops the desire in young people to value education and stay in school. Students learn critical skills from business consultants who build a bridge between the classroom and the workplace.

The high school program promotes understanding of economic principles for students nearly ready to enter college and the workforce. Many of the activities allow examination of the rewards and responsibilities of business through hands-on experiences in a virtually risk-free setting.

Students participating in the above programs totaled 18,085 for the year ended June 30, 2020.

- B. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.
- C. Basis of Presentation – Net assets and support and revenue are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Net asset without donor restrictions: Net assets that represent the operations of the Organization that include revenues and expenditures which are free of donor-imposed restrictions and temporarily restricted contributions of which the restrictions are met during the current fiscal year.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Net assets with donor restrictions: Net assets that represent amounts received that were restricted by the donor, grantor or other outside party for a specific use. Contributions received with restrictions whose restrictions are met within the same year are classified as net assets without donor restriction in the statement of activities.

Certain net assets with donor restrictions represent amounts received for which the principal must be preserved in perpetuity:

- Richard W. And Ruth C. Niemiec Endowment Fund – income earned is used to support annual student scholarships.

D. Cash and Cash Equivalents – Cash and cash equivalents include demand deposits and cash on hand. The Organization maintains its cash with banks, which at times, may exceed federally insured limits. The Organization has not experienced any significant losses in such accounts. Management of the Organization believes it is not exposed to any significant credit risk on its cash and cash equivalents. Cash equivalents held in the investment accounts are included in investments on the statement of financial position.

E. Pledges Receivable – Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Pledges are considered impaired if payments are not received in accordance with the pledge terms. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. The pledges receivable have been adjusted for all known uncollectible pledges. The Organization did not record any allowance for uncollectible pledges as of June 30, 2020.

F. Investments – Investments in equity securities, with readily determinable fair values, and all investments in debt securities are reported at fair value in the statements of financial position. In addition, gains and losses (realized or unrealized) are recognized as changes in net assets in the periods in which they occur, and investment income is recognized as revenue in the period earned.

G. Fixed Assets – Fixed assets are recorded at cost if purchased and at fair market value at date of gift if donated. Upon disposal, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current operations. Expenditures for routine maintenance and repairs are charged to expense as incurred.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

H. Property and Equipment (Continued)

Depreciation is computed on the straight-line basis using the following lives for each asset classification:

Building	15 – 39 years
Office equipment	5 – 10 years
Furniture and fixtures	5 – 10 years

- I. Federal Income Taxes – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The preparation of financial statements in conformity with GAAP requires the Organization to identify potential uncertain tax positions taken, assess and quantify those positions and record reserves. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.
- J. Support and Revenue Recognition – The Organization's principal support is from charitable contributions. Contributions received are recorded as revenue with or without restriction, depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, restricted net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.
- K. In-kind Contributions – In-kind contributions include donated services that meet the criteria for recognition as required by GAAP, as well as, donated materials for use in the programs and special events of the Organization.

The Organization received a substantial amount of services donated by its volunteers in carrying out its mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition as required by GAAP. Management of the Organization estimates that volunteers donated a total of 2,449 hours for the year ended June 30, 2020.

- L. Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs that cannot be specifically identified to a function have been allocated among the program and supporting services based on factors such as an estimate of time spent by employees for salaries, payroll taxes, employee insurance and pension plan and based on square footage of space used for occupancy.
- M. Subsequent Events – The Organization has evaluated subsequent events through October 22, 2020, the date that the Organization's annual financial statements were available to be issued.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2020:

Cash and cash equivalents	\$ 207,013
Pledges receivable - net	<u>38,017</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 245,030</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization has a beneficial interest in assets held by Akron Community Foundation, valued at \$472,198 as of June 30, 2020. Although withdrawals are not anticipated at this time, these funds would be available if needed. The Organization also has available a line of credit of \$35,000 available to meet cash flow needs.

Note 3. Endowment Funds

The Organization restricts net assets in accordance with the respective fund agreements: (a) the original value of the gifts donated to the endowment, and (b) accumulations to the endowment made in accordance with the directions of the applicable fund agreement. The Organization has adopted investment and spending policies for endowment funds that provides for the preservation of capital while providing for the long-term growth of principle without undue exposure to risk.

Interpretation of Relevant Law – The State of Ohio has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions (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 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 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 UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions In Perpetuity	Subject to Appropriation	Total
Beneficial interest in:				
Fund held at ACF	\$ -	\$ -	\$ 472,198	\$ 472,198
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,198</u>	<u>\$ 472,198</u>

The following is a reconciliation of the beneficial interest in funds held at Akron Community Foundation (ACF) for the year ended June 30, 2020:

Beginning balance	\$ 564,037
Unrealized gain	4,529
Realized (loss)	(4,480)
Investment return, net	3,170
Withdrawals	(95,058)
Contributions	-
Ending balance	<u>\$ 472,198</u>

Note 4. Beneficial Interest in Assets Held by Akron Community Foundation

The Organization established a fund ("Fund") at Akron Community Foundation for the benefit of the Organization. The Organization records the beneficial interest in the assets held by ACF at fair value. Fair values for the beneficial interest funds are measured using the relative fair market value of the Organization's proportional share of funds in the pool as reported by the trustee as of June 30, 2020. The assets of the fund are invested pursuant to ACF governing instrument and investment policies. ACF has been granted variance power if the Organization ceases to exist or is no longer a qualified charitable entity.

Investment Policies (ACF)

The primary objective for the investments of ACF is the preservation of capital while providing for the long-term growth of principle without undue exposure to risk. The objectives shall be accomplished by utilizing a strategy of equities, fixed income, cash equivalents and alternative investments; in a mix which is conducive to participation in a rising market while allowing for adequate protection in a falling market.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Beneficial Interest in Assets Held by Akron Community Foundation (Continued)

Fund Distributions

Net income of the Fund shall be determined by application of ACF's spending policy, which currently makes available on an annual basis up to 5% of the Fund's 12-quarter average trailing market value as a component of the Foundation's main asset pool. Distributions shall be made annually or more or less frequently as the parties may from time to time agree. Any net income not distributed shall accumulate in the Fund as undistributed income, shall be, reinvested by ACF for the Fund, and together with any interest thereon, shall be available to the Organization as distributable income.

Distributions in excess of the net income of the Fund may be made if requested by the Organization, upon request by the Organization's Board of Directors and with the approval of the Board of Directors of ACF, however such approval shall not be unreasonably withheld.

In the event of any unforeseen contingency by reason of which expenditure of a portion or all of the principle of the Fund is necessary to accomplish or promote the exempt purpose of the Organization, such invasion of principal shall be permitted, upon the request by the Board of Directors of the Organization and with the approval of the Board of Directors of ACF, however such approval shall not be unreasonably withheld.

Fees

ACF shall charge the Fund an annual administration fee of 1.25% of the average market value of the Fund. The fee may be changed in the future if ACF levies the changed fee on all funds administered by it; provided, however, that said fee increases shall not cause the administration fees charged to the Fund by ACF to exceed the amount of fees which would be customarily charged by another community foundation.

Note 5. Fair Value Measurements

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Organization uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

- *Mutual funds*: Valued based on the closing price reported on the active market on which the individual securities are traded.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Fair Value Measurements (Continued)

- *Money market accounts:* Valued using models or other valuation methodologies based on assumptions that are observed in the active market and are classified within Level 2 of the fair value hierarchy.
- *Beneficial interest in fund held at ACF:* This investment pool in which the Organization participates, includes investments in equities, fixed income, cash equivalents and alternative investments. The Organization's separate accounts are adjusted with its proportion of investment activity from the investment pool throughout the year. The fair value of the beneficial interest in fund is equal to the Organization's proportion of the quoted price obtained for total investments in the investment pool. This interest may not be traded on a national security exchange and is valued based on reports provided by investment managers to ACF. The pool of investments is valued at ACF's best estimate of the fair value of the underlying assets as reviewed by the Organization. Accordingly, the Organization does not use separate quantitative information to value their investment in the ACF pool. The Organization's investment in the ACF pool is considered a Level 3 asset.

Financial assets and liabilities measured at fair value on a recurring basis are as follows for June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 144,123	\$ -	\$ -	\$ 144,123
Money market accounts	-	3,387	-	3,387
Beneficial interest in fund held at ACF	-	-	472,198	472,198
	<u>\$ 144,123</u>	<u>\$ 3,387</u>	<u>\$ 472,198</u>	<u>\$ 619,708</u>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used from 2018 to 2019. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows for the year ended June 30, 2020:

Beneficial Interest in Fund Held at ACF:

Beginning balance	\$ 564,037
Investment return, net	3,219
Withdrawals	(95,058)
Contributions	-
Ending balance	<u>\$ 472,198</u>

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Property and Equipment

Property and equipment, at cost, was comprised of the following at June 30, 2020:

Land	\$ 150,000
Building	499,926
Office equipment	13,958
Furniture and fixtures	37,515
	<u>701,399</u>
Less: accumulated depreciation	<u>(256,996)</u>
Ending balance	<u><u>\$ 444,403</u></u>

Note 7. Line of Credit

The Organization has a line of credit with a financial institution with availability up to \$35,000, secured by all assets owned by the Organization. Interest is at a variable rate as defined in the promissory note (3.25% at June 30, 2020). The line of credit was undrawn at June 30, 2020.

Note 8. Multiemployer Pension Plan

Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the "Plan") to its employees. The Plan was administered by Junior Achievement USA® and covered all full-time employees and employees of participating members of the Plan. The Plan is accounted for like a multiemployer plan. Benefits are determined based on years of service and salary history. The Plan's assets are invested in a variety of investment funds until 2019, when a substantial portion of the portfolio was placed into fixed income mutual funds, and 2020, when Plan assets were converted to cash and cash equivalents. Prior to June 30, 2019, in accordance with the plan documents, the Organization made contributions equal to 16.75% of 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. The Organization's policy is to fund pension costs as it is billed by the National Organization.

The risks to the Organization of participating in this multiemployer pension plan are different from single- employer plans in the following aspects:

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

The Organization's participation in this Plan for the year ended June 30, 2020 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Multiemployer Pension Plan (Continued)

Pension Fund: Retirement Plan for Employees of Junior Achievement USA
Employer Identification Number: 13-1635270
Plan Number: 333
Funded Status for 6/30/20: Plan assets of \$5,479,154, Benefit obligations of \$0
Contributions for the year ended 6/30/20: \$25,187

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

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 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.

To coincide with the termination of the Plan, the Organization implemented a Defined Contribution 401(k) plan for eligible employees on July 1, 2019.

Note 9. 401(k) Plan

The Organization participates in a defined contribution 401(k) plan offered by Junior Achievement USA®. Eligible employees may contribute a percentage of compensation up to the maximum allowed under the Internal Revenue Code. The Organization can contribute a discretionary amount as determined by the Organization. During the year ended June 30, 2020, the Organization contributed \$2,440.

Note 10. Health and Welfare Benefits Trust

The Organization has a medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the plan for each participant by the Organization. All the assets and liabilities of the plan are held in the Junior Achievement USA Health and Welfare Benefits Trust ("Benefits Trust"). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10. Health and Welfare Benefits Trust (Continued)

The Organization's premium expense for the Health and Welfare Plan for the year ended June 30, 2020 was \$25,133. The Organization's policy is to fund insurance premium cost as it is billed by the National Organization.

Note 11. Incentive Plan

The Organization has an incentive plan for substantially all full-time employees. Incentives are paid annually to employees based on program, revenue and strategic objective goals being met for the fiscal year. Management determined that no such accrual was necessary at June 30, 2020.

Note 12. Leases

The Organization has an operating lease for a copier. Future minimum rental payments required under the operating leases are as follows:

2021	\$ 3,558
2022	3,558
2023	2,372

Rent expense was \$3,558 for the year ended June 30, 2020.

Note 13. National License Fee

The Organization is supported by the National Organization which seeks to ensure uniform operating standards of local programs. The National Organization provides staff assistance, training manuals, training programs and other supporting services. Participation in the National Organization requires a fee of 9% of the Organization's cash-basis public support received up to \$300,000 and 1.8% of cash-basis public support in excess of \$300,000. The Organization has an agreement with the National Organization whereby the Organization pays fees in ten equal installments based on audited revenues from the previous year. National license fee expense was \$94,000 for the year ended June 30, 2020. The related payable to the National Organization totaled \$6,409 as of June 30, 2020.

Note 14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2020.

Subject to passage of time:	
Pledges receivable - net	\$ 38,017
Subject to expenditure for specified purpose:	
Tuscarawas County scholarships	16,122
Strategic planning	10,000
Richland County	2,050
	<u>28,172</u>

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 14. Net Assets with Donor Restrictions (Continued)

Subject to spending policy or appropriation:

Richard W. and Ruth C. Niemiec scholarship endowment fund:	
Accumulated earnings	\$ 14,092
Funds restricted in perpetuity	50,000
Beneficial interest in assets held by community foundation for operations	472,198
	536,290
 Total net assets with donor restrictions	 \$ 602,479

Note 15. Net Assets without Donor Restrictions

Net assets without donor restrictions includes the Wooster Brush/Dave Rowekamp Scholarship Fund (Rowekamp Fund). The Rowekamp Fund is a board designated fund to provide scholarships to Wayne County participants in the Organization's program. As of June 30, 2020, the balance in the Rowekamp Fund was \$83,417.

Note 16. Assets Transferred to a Recipient Organization

A. During the year ended June 30, 1987, the Organization transferred assets to Stark Community Foundation (SCF) to establish a scholarship endowment fund. These funds are held in a component trust of a pooled income fund managed by the SCF. SCF has variance power over the fund, and the Organization is not designated as the beneficiary of these funds. Therefore, these funds are not included in the Organization's statement of financial position. In the event of a clear emergency in order to preserve the essential purpose of the Organization, management may access these funds by submitting a request to SCF, which must be approved by at least three-fourths of the Organization's board members. SCF's board of directors must approve the request by a two-thirds vote. Management does not intend to request the principal of the fund.

The income from this fund, after the payment of expenses, must either be distributed exclusively for educational scholarships as recommended by the Scholarship Committee of the Organization, or be reinvested in the fund. Distributions and scholarships awarded from SCF were \$6,000 for the year ended June 30, 2020. The value of investments held by SCF for the benefit of the Organization's scholarship endowment fund at June 30, 2020 was \$88,637.

B. During the year ended June 30, 1997, a foundation established a designated fund at Akron Community Foundation to benefit the Organization. Distributions of income relating to the assets in the fund are made at the discretion of board of Akron Community Foundation. Income distributed to the Organization is recorded as a grant in the statement of activities. At June 30, 2020, the market value of the assets in the designated fund totaled \$156,587.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 17. Merger of Junior Achievement of East Central Ohio, Inc.

On July 1, 2019, The Organization entered into an agreement and plan of merger to merge the accounts and operations of Junior Achievement of East Central Ohio, Inc. ("JAECO") into the Organization, as the surviving entity. The board of directors of both of the Organization and JAECO agreed it was in the best interests of both organizations for JAECO to be merged into the Organization under the terms of the merger agreement. Under the terms of the agreement, all assets, real property, tangible property, rights, privileges, powers and franchises of the JAECO were merged and converted to the Organization. As a result of the merger, the Organization relocated to the building owned by JAECO.

JAECO's unaudited statement of financial position consisted of the following assets and liabilities as of June 30, 2019 as reported on the reviewed financial statements:

Assets:	
Cash	\$ 89,786
Pledges receivable	27,678
Prepaid assets	<u>13,071</u>
Total current assets	130,535
Land, building, and equipment	694,147
Less accumulated depreciation	<u>(237,002)</u>
Land, building, and equipment, net	<u>457,145</u>
 Total assets	 \$ <u>587,680</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 3,889
Net assets	
Without donor restrictions	567,669
With donor restrictions	<u>16,122</u>
Total net assets	<u>583,791</u>
 Total liabilities and net assets	 \$ <u>587,680</u>

These balances were transferred into the Organization's accounts effective July 1, 2019. As a result of the merger, the accompanying financial statements are not presented on a comparative basis.

JAECO also entered into a severance agreement with an employee, as a result of the merger. The severance expense that was accrued as of the effective date of the merger and not included above was approximately \$25,000 in addition to a pension liability owed of approximately \$30,000.

Note 18. Prior Period Adjustment

The net assets as of July 1, 2019 have been restated to remove the designated fund held at Akron Community Foundation. Net assets with donor restrictions were decreased by \$163,249 and net assets without donor restrictions were increased by \$1,450.

JUNIOR ACHIEVEMENT OF NORTH CENTRAL OHIO, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 19. COVID-19 Global Pandemic and Long-term Debt

Physical and economic conditions worldwide have been impacted by the ongoing COVID-19 pandemic. There are uncertainties surrounding COVID-19's impact on the economy as a whole and on organizations. There is also uncertainty regarding the positive impact of any federal government relief efforts through the date of this report. Accordingly, the impact of the global pandemic on the operations and financial plans or future results of the Organization is unknown.

During March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. The CARES Act, among other things, created the Paycheck Protection Program (PPP) to be administered by the U.S. Small Business Administration. In April 2020, the Organization received an unsecured loan of \$112,500 under the PPP and recorded the PPP loan as long-term debt on the accompanying statement of financial position. Provisions of the PPP allow for partial or full forgiveness of the loan provided the proceeds are used for covered expenditures and certain other requirements are satisfied. The unforgiven portion of the loan, if any, is payable in monthly installments (plus interest at a rate of 1% per annum) over two years.

During May 2020, the Organization also received an unsecured loan from the Achievement Foundation for \$40,000. The loan bears no interest if all payments are made according to the schedule. If the Organization fails to make any of the required payments by the due date, the loan reverts to a demand note bearing interest at 2%. Scheduled principal payments are as follows for the years ending June 30:

2021	\$ 3,333
2022	13,333
2023	13,333
2024	<u>10,001</u>
	<u>\$ 40,000</u>

ADDITIONAL INFORMATION

AUDITED REVENUE SUBJECT TO PROGRAM AND SUPPORT FEE

Audited Revenue from FY 2019-20 | Payments in FY 2021-22

INSTRUCTIONS: Enter values for all fields in **GOLD** - all other fields are auto calculated. Enter positive values for all numbers. Please also **SUBMIT YOUR DETAILED TRIAL BALANCE** with this spreadsheet. **MUST BE SUBMITTED TO JA USA BY 12/15/20.**

JA Area ID (Enter 6 digits with no dashes): **100103**
Akron, OH

STEP 1: CALCULATE REVENUE SUBJECT TO PROGRAM & SUPPORT FEE		COMMENTS
Revenue Per Audited Financial Statements		
Total unrestricted revenue	\$ 674,506	
Total permanently restricted revenue	\$ -	
Total pledges (accounts receivable) from prior year-end - Gross (enter as a positive number)	\$ 96,065	
Total pledges (accounts receivable) from current year-end - Gross (enter as a positive number)	\$ 38,017	
Add special event expenses (if net special event expense was presented on financials)	\$ 4,580	
If netted, add program & support fee back in	\$ -	
Total Adjusted Revenue Per Audited Financial Statements	\$ 737,134	

Adjustments to Revenue Subject to Program & Support Fee		
In-kind	\$ 35,886	
In-kind special event (if included in special event revenue)	\$ -	
Realized gains	\$ -	
Realized losses (enter as a positive number)	\$ -	
Unrealized gains	\$ 987	
Unrealized losses (enter as a positive number)	\$ -	
Investment income	\$ 3,519	
Interest	\$ -	
Rental income	\$ -	
Actual pledges write-offs	\$ -	

For the next few rows, please enter information on the ADJUSTMENTS Tab. Totals will auto-populate for the fields below.

Revenue Exempt from Program & Support Fee		
Other income (0% fee payment)	\$ 1,602	
Pass-through income from JA USA (0% fee payment)	\$ -	
Capital campaign - construction of buildings or purchase of new buildings (0% fee payment)	\$ -	
Capital campaign - major improvements to existing buildings (0% fee payment)	\$ -	
Capital campaign - leasehold improvements (0% fee payment)	\$ -	
Restricted funds for mortgage principal payments (0% fee payment)	\$ -	
Scholarships for higher education (0% fee payment)	\$ -	

Total Revenue Subject to Program & Support Fee	\$ 695,140
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STEP 2: CALCULATE FEES

Revenue Items Subject to 2.5% Program and Support Fee	Revenue	Fees
Capital campaign - furniture/fixtures (2.5% fee payment)	\$ -	
Capital campaign - technology hardware (2.5% fee payment)	\$ -	
Gifts from any single source paid to one JA Area during a single fiscal year, as shown through a financial audit, where such gift amount is 25% or more of the JA Area's audited revenue subject to program and support fees during the prior fiscal year (2.5% fee payment)	\$ -	
Gifts from any single source paid to one JA Area during a single fiscal year, as shown through a financial audit, where such gift amount is valued at \$1,000,000 or higher (2.5% fee payment)	\$ -	
Gifts of any dollar amount received through an individual's estate or otherwise effective upon the individual's death (2.5% fee payment)	\$ -	
Proceeds from the sale of a building (2.5% fee payment)	\$ -	
2.5% Revenue and Fees	\$ -	\$ -

Revenue Items Subject to 5% Program and Support Fee	Revenue	Fees
Ongoing technology hardware for student use (5% fee payment)	\$ -	
5% Revenue and Fee	\$ -	\$ -

Remaining Revenue Subject to 3-Tier Program and Support Fee	Revenue	Fees
3-Tier Fee: 11.5% fee on first \$1M raised 9.5% fee on next \$1M raised 7.5% fee on revenue raised above \$2M		
11.5% fee on the first \$1M raised		\$ 79,941
9.5% fee on the second \$1M raised		\$ -
7.5% fee on revenue raised above \$2M		\$ -
3-Tier Revenue and Fees	\$ 695,140	\$ 79,941

TOTAL PROGRAM AND SUPPORT FEE DUE FROM JA AREA **\$ 79,941**

Monthly Program and Support Fee (September - June) **\$ 7,994**

JA USA will not retroactively recalculate the program & support fee for any previously unsubmitted exemptions as of 5/31/21.

GENERAL COMMENTS