

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

CONTENTS
June 30, 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Junior Achievement of Southern California, Inc.
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Achievement of Southern California, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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 of 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 Organization'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 Organization'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.

To the Board of Directors
Junior Achievement of Southern California, Inc.
Independent Auditor's Report
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in 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 Summarized Financial Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

December 9, 2016

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 625,895	\$ 322,952
Pledges receivable	218,369	219,575
Special events revenue receivable	311,213	182,550
Prepaid expenses and other current assets	33,289	44,046
Total current assets	1,188,766	769,123
Noncurrent assets		
Restricted cash equivalents	54,903	46,224
Property and equipment, net	3,671,962	3,897,750
Debt issuance costs, net	5,596	13,991
Total noncurrent assets	3,732,461	3,957,965
Total assets	\$ 4,921,227	\$ 4,727,088
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 205,745	\$ 263,256
Capital lease obligations	-	2,940
Note payable, current portion	52,047	49,119
Deferred revenue - Finance Park sponsorships	25,000	25,000
Deferred revenue - special events	118,538	126,200
Total current liabilities	401,330	466,515
Noncurrent liabilities		
Note payable, net of current portion	3,153,766	3,206,587
Total liabilities	3,555,096	3,673,102
Commitments and contingencies (Note 7)		
Net assets (deficit)		
Unrestricted	(1,041,818)	(740,934)
Temporarily restricted	2,352,985	1,748,635
Permanently restricted endowment	54,964	46,285
Total net assets	1,366,131	1,053,986
Total liabilities and net assets	\$ 4,921,227	\$ 4,727,088

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2016
(with Summarized Financial Information for the Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Revenue					
Contributions					
Corporate	\$ 1,119,724	\$ 626,100	\$ 8,679	\$ 1,754,503	\$ 1,045,121
Individual	269,149	-	-	269,149	395,429
Foundations	117,233	-	-	117,233	327,121
Cause-related marketing	88,128	-	-	88,128	115,623
Total contributions	<u>1,594,234</u>	<u>626,100</u>	<u>8,679</u>	<u>2,229,013</u>	<u>1,883,294</u>
Special events, gross	1,203,096	-	-	1,203,096	1,300,261
Less direct special events expenses	<u>(385,500)</u>	<u>-</u>	<u>-</u>	<u>(385,500)</u>	<u>(389,384)</u>
Special events, net	<u>817,596</u>	<u>-</u>	<u>-</u>	<u>817,596</u>	<u>910,877</u>
Program services revenue	27,572	-	-	27,572	64,097
Finance Park sponsorships	401,000	-	-	401,000	370,000
In-kind contributions	116,220	-	-	116,220	83,734
Other income	38,725	-	-	38,725	18,672
Net assets released from restrictions	<u>21,750</u>	<u>(21,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>3,017,097</u>	<u>604,350</u>	<u>8,679</u>	<u>3,630,126</u>	<u>3,330,674</u>
Expenses					
Program services	<u>2,137,383</u>	<u>-</u>	<u>-</u>	<u>2,137,383</u>	<u>2,857,707</u>
Support services					
Management and general	487,121	-	-	487,121	729,244
Fundraising	<u>693,477</u>	<u>-</u>	<u>-</u>	<u>693,477</u>	<u>221,471</u>
Total support services	<u>1,180,598</u>	<u>-</u>	<u>-</u>	<u>1,180,598</u>	<u>950,715</u>
Total expenses	<u>3,317,981</u>	<u>-</u>	<u>-</u>	<u>3,317,981</u>	<u>3,808,422</u>
Change in net assets	(300,884)	604,350	8,679	312,145	(477,748)
Net assets (deficit), beginning of year	<u>(740,934)</u>	<u>1,748,635</u>	<u>46,285</u>	<u>1,053,986</u>	<u>1,531,734</u>
Net assets (deficit), end of year	<u>\$ (1,041,818)</u>	<u>\$ 2,352,985</u>	<u>\$ 54,964</u>	<u>\$ 1,366,131</u>	<u>\$ 1,053,986</u>

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016
(with Summarized Financial Information for the Year Ended June 30, 2015)

	Program Operations Total	Management and General	Fundraising	2016 Total	2015 Total
Salaries	\$ 848,348	\$ 200,714	\$ 348,318	\$ 1,397,380	\$ 1,809,906
Employee benefits	102,282	21,366	37,253	160,901	206,896
Payroll taxes	66,839	15,861	27,399	110,099	139,985
	<u>1,017,469</u>	<u>237,941</u>	<u>412,970</u>	<u>1,668,380</u>	<u>2,156,787</u>
Bank charges	-	17,643	-	17,643	13,034
Depreciation and amortization	148,759	29,060	64,347	242,166	244,236
Dues and subscriptions	905	234	381	1,520	2,820
Employee pension	114,113	27,158	47,021	188,292	240,433
Franchise fee	77,415	-	-	77,415	80,092
In-kind expenses	41,322	85,398	-	126,720	73,132
Insurance	11,251	2,736	5,008	18,995	17,047
Interest expense	113,906	22,251	49,271	185,428	186,748
Miscellaneous expenses	3,837	776	1,411	6,024	21,706
Office maintenance	35,068	6,334	11,593	52,995	53,796
Office supplies	4,205	973	1,653	6,831	8,618
Outside services	79,322	19,238	35,131	133,691	68,234
Postage	4,656	1,171	1,960	7,787	12,010
Program materials	294,588	-	-	294,588	297,242
Personnel recruitment	976	234	412	1,622	1,470
Real estate tax	2,590	630	1,153	4,373	4,582
Recognition & awareness	18,262	3,489	5,934	27,685	37,907
Technology	69,036	12,910	22,466	104,412	134,206
Telephone	25,096	6,447	10,416	41,959	38,126
Training and conferences	4,463	-	-	4,463	13,058
Travel	24,854	6,108	10,655	41,617	38,407
Uncollectible pledge expense	-	-	-	-	300
Utilities	45,290	6,390	11,695	63,375	64,431
Total functional expenses	<u>\$ 2,137,383</u>	<u>\$ 487,121</u>	<u>\$ 693,477</u>	<u>\$ 3,317,981</u>	<u>\$ 3,808,422</u>

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 312,145	\$ (477,748)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	242,165	244,236
Deduction in Capital Lease	1,000	-
Changes in operating assets and liabilities:		
Restricted cash equivalents	(8,679)	8,741
Pledges receivable	1,206	(56,315)
Special events revenue receivable	(128,663)	2,157
Prepaid expenses and other current assets	10,757	4,297
Accounts payable and accrued expenses	(57,511)	47,421
Deferred revenue	(7,662)	60,279
	<u>364,758</u>	<u>(166,932)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of equipment	(8,982)	(29,500)
	<u>(8,982)</u>	<u>(29,500)</u>
Cash flows from financing activities		
Principal payments on note payable	(49,893)	(52,898)
Principal payments on capital lease obligations	(2,940)	(5,642)
	<u>(52,833)</u>	<u>(58,540)</u>
Net cash used in financing activities		
	<u>(52,833)</u>	<u>(58,540)</u>
Net increase (decrease) in cash and cash equivalents	302,943	(254,972)
Cash and cash equivalents, beginning of year	<u>322,952</u>	<u>577,924</u>
Cash and cash equivalents, end of year	<u>\$ 625,895</u>	<u>\$ 322,952</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 185,914</u>	<u>\$ 186,749</u>
Supplemental disclosures of noncash financing activity:		
Purchase of equipment financed with capital lease	<u>\$ -</u>	<u>\$ 2,108</u>

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 – NATURE OF OPERATIONS

Organization

Junior Achievement of Southern California, Inc. (the “Organization”) was founded in 1954 as a California not-for-profit corporation, inspires kids to achieve at the business of life through a community-based partnership of educators, volunteers and businesses. The Organization operates out of offices in the Los Angeles, Orange County and Bakersfield areas of Southern California.

The Organization reaches approximately 86,250 students in grades K – 12 annually with nearly 45% enrolled in grades 6 through 12. The Organization provides hands-on lessons in economics, business, entrepreneurship and financial literacy to each student and is aided in its work by nearly 5,000 volunteers—dedicated working professionals, MBA students and community leaders who work each day to help the Organization achieve its mission “to inspire and prepare young people to succeed in a global economy.” The Organization impacts students from all social and economic backgrounds, with 68% classified as underserved/at-risk and 95% attending public schools.

NOTE 2 – UNRESTRICTED DEFICIT

As shown in the accompanying financial statements, as of June 30, 2016 and 2015, the Organization had an unrestricted deficit of \$1,041,818 and \$740,934, respectively. Management plans to replenish these funds by contributions from new patrons and continuing to control expenses to align with the Organization’s revenues.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The financial statements include certain prior-year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets

Net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets*—net assets that are not subject to donor-imposed stipulations and donor-restricted contributions whose restrictions are met in the same year may be expended for any purpose in performing the objectives of the Organization. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties. All gifts and other public support are included in unrestricted net assets unless they are specifically restricted by the terms of the gift or grant instrument or require the passage of time.
- *Temporarily restricted net assets*—net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Contributions whose restrictions are met in the same year as the contribution is made are initially classified as temporarily restricted net assets and are released from restriction during the same year.
- *Permanently restricted net assets*—net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by the Organization. Contributions that must be maintained in perpetuity as endowment are classified as permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid, unrestricted investments with a maturity of three months or less at the purchase date to be cash equivalents.

Restricted Cash Equivalents

The Organization has an endowment fund (invested in a money market fund) that is permanently restricted by the donor.

Pledges Receivable

The Organization records pledges receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair value at the date of contribution. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Building and improvements	30 years
Equipment and furnishings	3 to 7 years

Amortization of equipment under capital leases is included in depreciation expense.

Impairment of Long-lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized during the years ended June 30, 2016 and 2015.

Debt Issuance Costs

Costs associated with the Organization's note payable are amortized over the term of the financing agreement using the straight-line method, which approximates amortization using the effective interest method. As of and for the year ended June 30, 2016, accumulated amortization and amortization expense totaled \$36,375 and \$8,395, respectively. As of and for the year ended June 30, 2015, accumulated amortization and amortization expense totaled \$27,981 and \$8,394, respectively.

Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701(d). The Organization does not have any revenue which it believes would subject it to unrelated business income taxes.

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. To date, the Organization has not recognized any uncertain tax positions and, accordingly, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Conditional contributions are recorded as support in the period the condition is met.

The Organization conducts several special events during the year to raise money in support of its operations. The amounts reflected in these financial statements represent special events revenue net of related direct costs. The contributions received for special events scheduled to occur after year-end are recorded as deferred revenue and recognized as revenue on the date of the event.

Donated Materials and Services

Contributions of donated materials are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

Numerous unpaid volunteers and organizations have made significant contributions of their time to develop the Organization's programs, principally in instruction and student activities. The value of these services is not reflected in the financial statements, since an objective measurement of valuation cannot be determined, and specialized skills are not required.

Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to that related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for fiscal years beginning after December 15, 2018. The Organization does not believe the adoption of the new financial instruments standard will have a material impact on its financial statements. The Organization elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which focuses on improving the current net asset classification requirements and information presented in financial statements and notes that are useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and early application is permitted. ASU 2016-14 should be applied on a retrospective basis in the year that it is first applied. Management is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 4 – CONCENTRATIONS

Credit risk is the failure of another party to perform in accordance with the financial contract terms. Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, pledges and special events receivables.

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The Organization maintains its bank accounts at high quality financial institutions. Accounts at these institutions are insured up to \$250,000. At times, cash in these accounts may exceed the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

Corporate donations are a significant source of revenue for the Organization. Historically, financial institutions account for over one-third of corporate donations. The Organization routinely assesses the financial strength of these contributors and believes that the pledges and special events receivables credit risk exposure is limited. Receivables from two major contributors accounted for 14% and 11% of total receivables at June 30, 2016.

NOTE 5 – PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,700,000	\$ 1,700,000
Building and improvements	6,024,120	6,024,120
Equipment and furnishings	<u>552,202</u>	<u>549,114</u>
	8,276,322	8,273,234
Less accumulated depreciation	<u>(4,604,360)</u>	<u>(4,375,484)</u>
Total	<u>\$ 3,671,962</u>	<u>\$ 3,897,750</u>

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$233,770 and \$235,842, respectively.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 6 – NOTE PAYABLE

The Organization has a note payable with community development financial institution that bears interest at 5.74% and requires monthly principal and interest payments of \$19,610 through March 1, 2017, at which time the total balance of outstanding principal and interest is due. The note is secured by the Organization's corporate office and Mike Curb Learning Center. Additionally, the note has a financial reporting covenant which requires annual audited financial statements (by a certified public accountant satisfactory to the lender) prepared in accordance with U.S. GAAP within 120 days after each fiscal year-end and quarterly officer-certified financial statements prepared in accordance with U.S. GAAP within 60 days of each fiscal quarter end. The Organization was in violation of its 120-day filing requirement covenant and obtained a waiver to extend the 120-day period to 150 days.

The note payable was amended subsequent to year end (Refer to Note 12) and principal payments for future years ending June 30 are as follows:

2017	\$ 52,047
2018	49,014
2019	<u>3,104,752</u>
	<u>\$ 3,205,813</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Organization leases office equipment under several noncancelable operating leases expiring at various dates through May 2021 which require aggregate monthly payments of \$2,576 as of June 30, 2016. Minimum lease payments required under these operating leases for future years ending June 30 are as follows:

2017	\$ 25,000
2018	24,000
2019	24,000
2020	22,000
2021	<u>15,000</u>
	<u>\$ 110,000</u>

For the years ended June 30, 2016 and 2015, rent expense relating to these leases amounted to approximately \$43,000 and \$44,000, respectively, which is recorded within technology and postage in the accompanying statement of functional expenses.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Movements in temporarily restricted net assets were as follows:

	June 30, 2015	New Revenues	Expenditures/ Released from Restriction	June 30, 2016
Land	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000
Donor-restricted for time or purpose	<u>48,635</u>	<u>626,100</u>	<u>(21,750)</u>	<u>652,985</u>
	<u>\$ 1,748,635</u>	<u>\$ 626,100</u>	<u>\$ (21,750)</u>	<u>\$ 2,352,985</u>

Restriction on Land

In 1987, the Organization received a gift of land with an explicit donor restriction that specifies how the land is to be used. The deed of trust requires the land be used only as a site for the offices of and a training center for the Organization for a period not less than 30 years from the date of the conveyance. Following the said term of 30 years, the land may be sold or used for another purpose, provided that the sale is for market value and the proceeds paid for the land are used for public benefit purposes.

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015, permanently restricted net assets totaling \$54,964 and \$46,285, respectively, are contributions restricted by donors for investment in perpetuity, the earnings from which are unrestricted until appropriated for specific purposes by the board.

Endowment Policy

The board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation 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 permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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 following factors are to be considered in making a determination to appropriate or accumulate endowment funds:

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

As of June 30, 2016 and 2015, all endowment earnings were appropriated. Accordingly, there were no temporarily restricted net assets related to the endowment.

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Endowment net assets – June 30, 2014	\$ (121)	\$ 46,285
Investment return		
Net unrealized gain	<u>61</u>	<u>-</u>
Endowment net assets – June 30, 2015	(60)	46,285
Endowment replenishment		8,679
Investment return		
Net unrealized gain	<u>60</u>	<u>-</u>
Endowment net assets – June 30, 2016	<u>\$ -</u>	<u>\$ 54,964</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to sustain funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Under this policy, the long-term investment objective is to attain an inflation-adjusted total return (net of investment management fees and other costs) at least equal to the contemplated spending rate and to meet the Organization's need for short-term, medium-term and long-term funding.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization is required to pay a franchise fee to the United States headquarters of Junior Achievement, Inc. (“JAUSA”) based on the amount of certain qualifying contributions received. In addition, payments are made to JAUSA for the employee retirement plan (as described in Note 11), employee insurance, program materials and training conferences.

The following is a summary of transactions with JAUSA for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Franchise fee	\$ 77,414	\$ 80,092
Capstone fee	13,029	7,056
Program materials	256,890	258,533
Retirement plan	188,292	240,433
Employee benefits	<u>178,085</u>	<u>203,957</u>
Total	<u>\$ 713,710</u>	<u>\$ 790,071</u>

As of June 30, 2016 and 2015, the Organization had amounts payable to JAUSA of \$899 and \$4,823, respectively, which is included in accounts payable and accrued expenses in the statement of financial position.

NOTE 11 – MULTIEMPLOYER PENSION PLAN

The Organization’s employees are eligible to receive benefits under a multiemployer pension plan. The plan is not administered by the Organization, and contributions are determined in accordance with provisions of the plan. Information with respect to the Organization’s proportionate share of the excess, if any, of the actuarial computed value of vested benefits over the total of the pension plan’s net assets is not available from the plan’s administrators.

The Multiemployer Pension Plan Amendments Act of 1980 (the “Act”) significantly increased the pension responsibilities of participating employers. Under the provisions of the Act, if the plan terminates or the Organization withdraws, the Organization could be subject to a substantial withdrawal liability. The Organization has no plans to withdraw from the plan as of June 30, 2016.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 – MULTIEmployer PENSION PLAN (Continued)

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

1. Assets contributed to the multiemployer plan by one employer must be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If 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 annual period ended June 30, 2016 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number.

Pension Fund	EIN/Pension Plan Number	Funded Status		Contributions of Organization	
		2016	2015	2016	2015
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN333	68%	71%	\$ 188,292	\$ 240,433

As of June 30, 2016 and 2015, the Organization's contributions were less than 5% of the total contributions to the plan, and there was no surcharge paid on the plan.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 9, 2016, which is the date the financial statements were available to be issued.

On November 11, 2016, the Organization amended its note payable agreement. The date on which all outstanding principal is due and payable, together with any accrued but unpaid interest, was extended from March 1, 2017 to March 1, 2019. Accordingly, the note payable has been classified in the statement of financial position as noncurrent, except for amounts due within one year which are classified as current.

