

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Junior Achievement of Southern California, Inc.

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, 2018, 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 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 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 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 upon 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.

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, 2018, 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 Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Singer Lewak LLP".

October 24, 2018

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 550,839	\$ 659,126
Contributions receivable	191,150	133,626
Special events receivable	78,517	142,735
Prepaid expenses and other current assets	<u>54,379</u>	<u>41,175</u>
Total current assets	874,885	976,662
Noncurrent assets		
Property and equipment, net	<u>3,405,323</u>	<u>3,452,847</u>
Total assets	<u>\$ 4,280,208</u>	<u>\$ 4,429,509</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 224,159	\$ 149,854
Note payable, current portion	-	55,346
Deferred revenue – special events	<u>157,541</u>	<u>111,237</u>
Total current liabilities	381,700	316,437
Noncurrent liabilities		
Note payable, net of current portion	<u>3,317,192</u>	<u>3,095,069</u>
Total liabilities	<u>3,698,892</u>	<u>3,411,506</u>
Net assets (deficit)		
Unrestricted	254,431	(1,178,382)
Temporarily restricted	<u>326,885</u>	<u>2,196,385</u>
Total net assets	<u>581,316</u>	<u>1,018,003</u>
Total liabilities and net assets	<u>\$ 4,280,208</u>	<u>\$ 4,429,509</u>

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2018
(Summarized Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Revenue				
Contributions				
Corporate	\$ 852,374	\$ -	\$ 852,374	\$ 907,073
Individual	250,775	-	250,775	300,838
Foundations	90,485	-	90,485	168,900
In-kind	82,305	-	82,305	116,966
Cause-related marketing	79,018	-	79,018	41,583
Total contributions	<u>1,354,957</u>	<u>-</u>	<u>1,354,957</u>	<u>1,535,360</u>
Special events, gross	1,659,982	-	1,659,982	1,343,146
Less direct special events expenses	<u>(452,660)</u>	<u>-</u>	<u>(452,660)</u>	<u>(412,845)</u>
Special events, net	<u>1,207,322</u>	<u>-</u>	<u>1,207,322</u>	<u>930,301</u>
Finance Park sponsorships	297,500	-	297,500	295,035
Program services	59,657	-	59,657	77,368
Other income	29,170	-	29,170	15,713
Net assets released from restriction	<u>1,869,500</u>	<u>(1,869,500)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>4,818,106</u>	<u>(1,869,500)</u>	<u>2,948,606</u>	<u>2,853,777</u>
Expenses				
Program services	2,361,836	-	2,361,836	2,085,747
Support services				
Management and general	365,849	-	365,849	429,174
Fundraising	<u>657,608</u>	<u>-</u>	<u>657,608</u>	<u>686,984</u>
Total support services	<u>1,023,457</u>	<u>-</u>	<u>1,023,457</u>	<u>1,116,158</u>
Total expenses	<u>3,385,293</u>	<u>-</u>	<u>3,385,293</u>	<u>3,201,905</u>
Change in net assets	<u>1,432,813</u>	<u>(1,869,500)</u>	<u>(436,687)</u>	<u>(348,128)</u>
Net assets (deficit), beginning of year	<u>(1,178,382)</u>	<u>2,196,385</u>	<u>1,018,003</u>	<u>1,366,131</u>
Net assets, end of year	<u>\$ 254,431</u>	<u>\$ 326,885</u>	<u>\$ 581,316</u>	<u>\$ 1,018,003</u>

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
(Summarized Information for the Year Ended June 30, 2017)

	Program Operations	Management and General	Fundraising	2018 Total	2017 Total
Salaries	\$ 1,006,949	\$ 169,245	\$ 336,806	\$ 1,513,000	\$ 1,369,489
Employee benefits	112,856	18,052	36,033	166,941	159,229
Employee pension	106,563	17,946	34,586	159,095	168,266
Payroll taxes	<u>83,898</u>	<u>13,674</u>	<u>27,144</u>	<u>124,716</u>	<u>105,983</u>
	<u>1,310,266</u>	<u>218,917</u>	<u>434,569</u>	<u>1,963,752</u>	<u>1,802,967</u>
Bank charges	-	32,908	-	32,908	29,326
Depreciation and amortization	148,968	23,394	42,997	215,359	224,711
Dues and subscriptions	5,817	1,038	2,186	9,041	2,252
Franchise and Capstone fee	83,417	-	-	83,417	89,178
In-kind expenses	57,945	9,792	14,568	82,305	123,466
Insurance	12,356	2,221	5,052	19,629	18,395
Interest expense	133,969	21,037	38,668	193,674	180,042
Miscellaneous expenses	7,388	1,323	2,985	11,696	5,845
Office maintenance	75,837	6,986	15,886	98,709	41,751
Office supplies	5,336	724	1,239	7,299	5,202
Outside services	111,031	19,793	42,905	173,729	152,417
Postage	2,926	473	852	4,251	5,625
Program materials	224,816	-	-	224,816	244,735
Personnel recruitment	2,587	430	969	3,986	1,257
Property taxes	3,051	548	1,247	4,846	4,551
Recognition & awareness	14,413	2,494	5,384	22,291	37,625
Technology	67,550	10,342	21,146	99,038	110,257
Telephone	31,613	5,471	9,762	46,846	38,803
Training and conferences	685	-	-	685	3,285
Travel	19,656	3,451	6,942	30,049	29,638
Utilities	<u>42,209</u>	<u>4,507</u>	<u>10,251</u>	<u>56,967</u>	<u>50,577</u>
	<u>\$ 2,361,836</u>	<u>\$ 365,849</u>	<u>\$ 657,608</u>	<u>\$ 3,385,293</u>	<u>\$ 3,201,905</u>

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

STATEMENTS OF CASH FLOWS Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (436,687)	\$ (348,128)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	210,264	219,115
Amortization of debt issuance costs	5,095	5,596
Changes in operating assets and liabilities:		
Contributions receivable	(57,524)	84,743
Special events receivable	64,218	168,478
Prepaid expenses and other current assets	(13,204)	(7,886)
Accounts payable and accrued expenses	74,305	(55,891)
Deferred revenue	46,304	(32,301)
	<u>(107,229)</u>	<u>33,726</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of building improvements	<u>(162,740)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issuance of note payable	3,357,950	-
Principal payments on note payable	(3,150,415)	(55,398)
Payment of debt issuance costs	<u>(45,853)</u>	<u>-</u>
	<u>161,682</u>	<u>(55,398)</u>
Net cash provided by (used in) financing activities		
Net decrease in cash and cash equivalents	(108,287)	(21,672)
Cash and cash equivalents, beginning of year	<u>659,126</u>	<u>680,798</u>
Cash and cash equivalents, end of year	<u>\$ 550,839</u>	<u>\$ 659,126</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 193,674</u>	<u>\$ 180,042</u>

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 and 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 70,765 students in grades K–12 annually, with nearly 45% enrolled in grades six through twelve. 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 72% classified as underserved/at-risk and 95% attending public schools.

NOTE 2 – 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 and functional expense classification. 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, 2017, 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, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets

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

- *Unrestricted net assets*—net assets that are not subject to donor-imposed stipulations or donor-restricted 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.

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.

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.

Contributions Receivable

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

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – 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, 2018 and 2017.

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, 2018, accumulated amortization and amortization expense totaled \$5,095 and \$5,095, respectively. As of and for the year ended June 30, 2017, accumulated amortization and amortization expense totaled \$41,972 and \$5,596, 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, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 contribution, and are recorded at fair value in the period received. For the year ended June 30, 2018 and 2017, contribution of donated materials and services totaled \$82,305 and \$116,966, respectively. For the year ended June 30, 2018, donated material and services totaled \$80,705 and \$1,600, respectively. For the year ended June 30, 2017, donated material and services totaled \$65,170 and \$51,796, respectively.

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. During fiscal year 2018, 3,610 volunteers donated in-kind educational/training service for a total of 18,050 hours.

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 Adopted Pronouncements

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 ASU 2016-01 will have a material impact on its financial statements. Management 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.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring recognition of revenue to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The FASB has also issued several updates to ASU 2014-09. The new standard supersedes U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires additional disclosures. ASU 2014-09 will be effective for fiscal years beginning after December 15, 2018. Management has not yet selected a transition method and is currently evaluating the impact of its pending adoption of ASU 2014-09 on the financial statements.

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 statement of activities. 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 ASU 2016-02 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 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. 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 ASU 2016-14 on the financial statements.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists entities in 1) evaluating whether transactions should be accounted for as contributions within the scope of the ASC (*Topic 958*), or as exchange transactions subject to ASC 606, and 2) distinguishing between conditional and unconditional contributions. For transactions in which an entity serves as a resource recipient, ASU 2018-08 will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of its pending adoption of ASU 2018-08 on the financial statements.

NOTE 3 – CONCENTRATIONS

Credit risk is the risk of 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, and contributions 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 contributions are a significant source of revenue for the Organization. Historically, financial institutions account for over one third of corporate contributions. The Organization routinely assesses the financial strength of these contributors and believes that the contributions and special events receivables credit risk exposure is limited. Receivables from one major contributor accounted for 24% of total receivables as of June 30, 2018. Receivables from one major contributor accounted for 27% of total receivables as of June 30, 2017.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 4 – PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,700,000	\$ 1,700,000
Building and improvements	6,186,860	6,024,120
Equipment and furnishings	<u>552,202</u>	<u>552,202</u>
	8,439,062	8,276,322
Accumulated depreciation	<u>(5,033,739)</u>	<u>(4,823,475)</u>
	<u>\$ 3,405,323</u>	<u>\$ 3,452,847</u>

NOTE 5 – NOTE PAYABLE

The Organization had a note payable with a community development financial institution that bore interest at 5.74% and required monthly principal and interest payments of \$19,610 through March 1, 2019, at which time the total balance of outstanding principal and interest was due. In February 2018, the Organization refinanced the note payable with the same lender, which bears interest at 6.00% and requires monthly interest payments through March 2021, at which time the principal and interest balance is due. The note is secured by the Organization's corporate office and Mike Curb Learning Center.

As of June 30, 2018 and 2017, the carrying amount of the note payable consists of the following:

	<u>2018</u>	<u>2017</u>
Note payable	\$ 3,357,950	\$ 3,150,415
Debt issuance costs, net	<u>(40,758)</u>	<u>-</u>
	<u>\$ 3,317,192</u>	<u>\$ 3,150,415</u>

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 6 – 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 \$2,000 as of June 30, 2018.

As of June 30, 2018, minimum lease payments required under these operating leases for future years ending June 30 are as follows:

2019	\$	24,000
2020		22,000
2021		<u>17,000</u>
	\$	<u>63,000</u>

For the years ended June 30, 2018 and 2017, rent expense relating to these leases totaled approximately \$24,000 and \$42,000, respectively, which is included within technology expense and postage expense.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2018, changes in temporarily restricted net assets were as follows:

	<u>June 30,</u> <u>2017</u>	<u>New</u> <u>Revenues</u>	<u>Expenditures/</u> <u>Releases from</u> <u>Restriction</u>	<u>June 30,</u> <u>2018</u>
Land	\$ 1,700,000	\$ -	\$(1,700,000)	\$ -
Donor-restricted for time or purpose	<u>496,385</u>	<u>-</u>	<u>(169,500)</u>	<u>326,885</u>
	<u>\$ 2,196,385</u>	<u>\$ -</u>	<u>\$(1,869,500)</u>	<u>\$ 326,885</u>

Restriction on Land

In January 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 Organization's offices and training center 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. This restriction lapsed in March 2018.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 8 – 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 10), employee insurance, program materials, and training conferences.

For the years ended June 30, 2018 and 2017, the following is a summary of transactions with JAUSA:

	2018	2017
Franchise and capstone fee	\$ 83,417	\$ 89,178
Program materials	224,080	244,735
Retirement plan	159,095	168,266
Employee benefits	194,803	180,624
	<u>\$ 661,395</u>	<u>\$ 682,803</u>

As of June 30, 2018 and 2017, the Organization had amounts payable to JAUSA of \$8,605 and \$5,591, respectively, which are included in accounts payable and accrued expenses.

NOTE 9 – 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, 2018.

JUNIOR ACHIEVEMENT OF SOUTHERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

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NOTE 9 – 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, 2018, 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	
		2018	2017	2018	2017
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN333	92%	79%	\$ 159,095	\$ 168,266

As of June 30, 2018 and 2017, 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 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2018, which is the date the financial statements were available to be issued.