

**Junior Achievement
of Northern New England, Inc.**

Financial Statements
and
Independent Auditors' Report

June 30, 2018 and 2017



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Junior Achievement of Northern New England, Inc.

We have audited the accompanying financial statements of Junior Achievement of Northern New England, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Northern New England, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial information schedules (as prescribed by Junior Achievement USA) are presented for purposes of additional analysis and are 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.

Daniel Dennis & Company LLP

December 13, 2018

Junior Achievement of Northern New England, Inc.
 Statements of Financial Position
 June 30, 2018 and 2017

<i>Assets</i>		
	<i>2018</i>	<i>2017</i>
<i>Assets</i>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 125,079	\$ 65,312
Accounts receivable	61,217	8,041
Pledges receivable	185,197	91,723
Inventory	1,881	1,731
Prepaid expenses	<u>13,854</u>	<u>7,483</u>
Total current assets	<u>387,228</u>	<u>174,290</u>
 <i>Other Assets</i>		
Cash and cash equivalents	3,890	8,062
Investments, at fair value	767,204	738,783
Security deposit	9,988	9,988
Property and equipment, net	<u>6,067</u>	<u>9,572</u>
Total other assets	<u>787,149</u>	<u>766,405</u>
Total assets	<u>\$ 1,174,377</u>	<u>\$ 940,695</u>
<i>Liabilities and Net Assets</i>		
<i>Liabilities</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 85,323	\$ 45,926
Refundable advances	130,600	94,600
Line of credit	<u>135,000</u>	<u>100,000</u>
Total current liabilities	<u>350,923</u>	<u>240,526</u>
Total liabilities	<u>350,923</u>	<u>240,526</u>
 <i>Net Assets</i>		
Unrestricted	325,559	314,992
Temporarily restricted	397,895	285,177
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>823,454</u>	<u>700,169</u>
Total liabilities and net assets	<u>\$ 1,174,377</u>	<u>\$ 940,695</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Activities

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Public Support and Revenues</i>								
Contributions:								
Corporations	\$ 383,364	\$ 151,817	\$ -	\$ 535,181	\$ 304,401	\$ 44,504	\$ -	\$ 348,905
Individuals	148,433	-	-	148,433	144,656	2,500	-	147,156
Foundations	177,368	134,725	-	312,093	120,988	136,812	-	257,800
Total contributions	709,165	286,542	-	995,707	570,045	183,816	-	753,861
Special events	730,155	-	-	730,155	698,970	-	-	698,970
Less special events expenses	(232,612)	-	-	(232,612)	(257,770)	-	-	(257,770)
Net special events income	497,543	-	-	497,543	441,200	-	-	441,200
Realized gains on investments	14,692	3,803	-	18,495	16,293	3,331	-	19,624
Unrealized gain/(loss) on investments	4,511	4,909	-	9,420	8,680	(332)	-	8,348
Inkind contributions	300	-	-	300	1,050	-	-	1,050
Other income	31,531	-	-	31,531	13,439	-	-	13,439
Net assets released from restrictions	182,536	(182,536)	-	-	121,495	(121,495)	-	-
Total public support and revenues	1,440,278	112,718	-	1,552,996	1,172,202	65,320	-	1,237,522
<i>Expenses</i>								
Program expenses	971,335	-	-	971,335	801,641	-	-	801,641
Management and general expense	251,778	-	-	251,778	277,192	-	-	277,192
Fundraising	206,598	-	-	206,598	297,093	-	-	297,093
Total expenses	1,429,711	-	-	1,429,711	1,375,926	-	-	1,375,926
Change in net assets	10,567	112,718	-	123,285	(203,724)	65,320	-	(138,404)
Net assets, beginning of year	314,992	285,177	100,000	700,169	518,716	219,857	100,000	838,573
Net assets, end of year	\$ 325,559	\$ 397,895	\$ 100,000	\$ 823,454	\$ 314,992	\$ 285,177	\$ 100,000	\$ 700,169

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	<i>Program</i>	<i>General and Admini- stration</i>	<i>Fund Raising</i>	<i>Total Expenses</i>	<i>Program</i>	<i>General and Admini- stration</i>	<i>Fund Raising</i>	<i>Total Expenses</i>
Salaries and related expenses	\$ 660,260	\$ 167,828	\$ 156,359	\$ 984,447	\$ 514,326	\$ 206,374	\$ 213,011	\$ 933,711
Program materials	144,781	-	-	144,781	134,986	-	-	134,986
Rent	64,108	16,295	15,182	95,585	52,436	21,012	21,717	95,165
License fee	18,932	7,693	17,417	44,042	21,392	8,402	25,412	55,206
Office expenses	6,400	1,626	1,516	9,542	4,137	1,658	1,713	7,508
Travel, auto and meals	20,781	5,282	4,921	30,984	18,115	7,259	7,503	32,877
Professional fees	-	39,564	-	39,564	-	15,832	6,431	22,263
Telephone	4,706	1,196	1,115	7,017	3,721	1,491	1,541	6,753
Insurance	7,535	380	354	8,269	9,458	465	480	10,403
Training	5,393	4,106	1,277	10,776	9,634	5,563	3,990	19,187
Public relations	-	-	810	810	-	-	997	997
Interest expense	3,893	990	922	5,805	2,222	890	920	4,032
Equipment lease	4,985	1,267	1,180	7,432	5,305	2,126	2,197	9,628
Scholarships	6,000	-	-	6,000	6,000	-	-	6,000
Payroll and bank fees	11,159	2,941	3,113	17,213	8,213	3,291	3,401	14,905
Depreciation	2,726	693	646	4,065	3,133	1,255	1,298	5,686
Bad debt expense	1,509	384	357	2,250	551	221	228	1,000
Utilities	2,417	615	573	3,605	1,889	757	782	3,428
Other expenses	<u>5,750</u>	<u>918</u>	<u>856</u>	<u>7,524</u>	<u>6,123</u>	<u>596</u>	<u>5,472</u>	<u>12,191</u>
 Total expenses	 <u>\$ 971,335</u>	 <u>\$ 251,778</u>	 <u>\$ 206,598</u>	 <u>\$ 1,429,711</u>	 <u>\$ 801,641</u>	 <u>\$ 277,192</u>	 <u>\$ 297,093</u>	 <u>\$ 1,375,926</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Cash Flows

June 30, 2018 and 2017

	2018	2017
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 123,285	\$ (138,404)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	4,065	5,686
Bad debt expense	2,250	1,000
Net unrealized gain on investments	(9,420)	(8,348)
Net realized gain on sale of investments	(18,495)	(19,624)
Net investment income	(21,333)	(13,430)
Changes that provide/(use) cash:		
Accounts receivable	(53,176)	67,721
Pledges receivable	(95,724)	(2,677)
Inventory	(150)	2,638
Prepaid expenses	(6,371)	3,286
Accounts payable and accrued expenses	39,399	(52,687)
Refundable advances	<u>36,000</u>	<u>4,485</u>
Net cash provided by/(used in) operating activities	<u>330</u>	<u>(150,354)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from the sale of investments	187,315	1,225,324
Purchase of investments	(166,489)	(1,245,820)
Purchase of equipment	<u>(561)</u>	<u>(4,043)</u>
Net cash provided by/(used in) investing activities	<u>20,265</u>	<u>(24,539)</u>
<i>Cash Flows from Financing Activities</i>		
Payment on line of credit	(25,000)	-
Proceeds from line of credit	<u>60,000</u>	<u>100,000</u>
Net cash provided by financing activities	<u>35,000</u>	<u>100,000</u>
Net increase/(decrease) in cash and cash equivalents	55,595	(74,893)
Cash and cash equivalents - beginning of year	<u>73,374</u>	<u>148,267</u>
Cash and cash equivalents - end of year	<u>\$ 128,969</u>	<u>\$ 73,374</u>
<i>Reconciliation to Cash and Cash Equivalents on the Statement of Financial Position</i>		
Cash and cash equivalents - current	\$ 125,079	\$ 65,312
Cash and cash equivalents - other	<u>3,890</u>	<u>8,062</u>
Total	<u>\$ 128,969</u>	<u>\$ 73,374</u>
<i>Supplemental information</i>		
Interest paid	<u>\$ 5,805</u>	<u>\$ 4,032</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

1. *Nature of Organization*

Junior Achievement of Northern New England, Inc. (the "Organization") is a Massachusetts not-for-profit organization. The Organization is a regional chapter of JA USA, an international organization. The mission of the Organization is to inspire and prepare young people to succeed in a global economy. The Organization is based in Waltham, Massachusetts and sponsors educational programs and events in eastern Massachusetts, central Massachusetts and New Hampshire. A description of the Organization's major programs is as follows:

Elementary School

The elementary school programs include five sequential themes for kindergarten through fifth-grade students. Students learn the basic concepts of business and economics and how education is relevant to the workplace. The sequential activities build on studies from each preceding grade and prepare students for secondary school and lifelong learning.

Middle School

The middle school programs for students in grades six through nine build on concepts the students learned in the elementary school program and help teens make difficult decisions about how to best prepare for their educational and professional future. The programs supplement standard social studies curricula and develop communication skills that are essential to success in the business world.

High School

As high school students, in grades nine through twelve, begin to position themselves for their future, there are many unanswered questions about what lies ahead. The Organization's high school programs help students make informed intelligent decisions about their future and foster skills that will be highly useful in the business world.

2. *Summary of Significant Accounting Policies*

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting for financial reporting in accordance with accounting principles generally accepted in the United States of America.

Classification and Reporting of Net Assets

The assets, liabilities, and net assets of the Organization are classified into three classes of net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets represent the portion of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2018 and 2017

2. *Summary of Significant Accounting Policies - Continued*

Classification and Reporting of Net Assets - Continued

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization defines cash and cash equivalents as short-term, highly liquid investments with initial maturities of three months or less.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions received without donor imposed restrictions, or with donor imposed restrictions that are satisfied in the same year received, are recorded as revenues within the unrestricted net asset class. Contributions received with donor imposed specific purpose or time restrictions that are not satisfied within the same year are recorded as revenue within the temporarily restricted net asset class. When a restriction has been satisfied (payment has been made in accordance with the restriction or the time restriction has expired), the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that do not expire are recorded as revenue within the permanently restricted net asset class.

The Organization receives donated materials and services in support of its programs. Donated materials and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if they were not donated are recorded as in-kind contributions in the financial statements. Donated services such as fund-raising, clerical assistance, or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2018 and 2017

2. *Summary of Significant Accounting Policies – Continued*

Inventory

Inventory, consisting of program kits, is stated at the lower-of-cost or market based on the first-in first-out method.

Property and Equipment

The Organization capitalizes as property and equipment all purchases of assets having a useful life of more than one year and a cost greater than \$100. Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense while costs of significant renewals and betterments are capitalized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pledges Receivable

Unconditional promises to give are recognized as revenue and receivables in the period in which the promise is made. Unconditional promises to give that are expected to be collected within the next year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are discounted to the present value of their net realizable value. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. The Organization has determined that all pledges receivable are collectible as of June 30, 2018 and 2017 therefore, no related allowance has been recorded.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization for special event fees. An allowance for bad debt is provided based on management's evaluation of potential uncollectible accounts receivable at year-end. The Organization has determined that all accounts receivable are collectible as of June 30, 2018 and 2017; therefore, no related allowance has been recorded.

Refundable Advances

Cash received as payment in advance for participation in special events is recorded as refundable advances and is recognized as revenue when the event occurs.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2018 and 2017

2. *Summary of Significant Accounting Policies - Continued*

Functional Allocation of Expenses

The costs of providing the various programs and activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

FASB *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable, such as models or other valuation methodologies; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments and Investment Income

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Investment income earned and unrealized gains/(losses) on unrestricted investments are reported as increases/(decreases) in unrestricted net assets, while unrealized gains and losses on permanently restricted investments are recorded as increases/(decreases) in temporarily restricted net assets, on the statement of activities.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2018 and 2017

2. *Summary of Significant Accounting Policies – Continued*

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the years ended June 30, 2018 and 2017, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Organization evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Organization has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2018 returns and believes they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. The Organization's fiscal year 2015 through 2017 tax years remain subject to examination by Federal and state tax authorities.

3. *Property and Equipment*

Property and equipment as of June 30, 2018 and 2017 are summarized as follows:

	<i>2018</i>	<i>2017</i>
Office equipment	\$ 65,932	\$ 65,496
Furniture and fixtures	<u>18,810</u>	<u>18,685</u>
Total	84,742	84,181
Less accumulated depreciation	<u>(78,675)</u>	<u>(74,609)</u>
Property and equipment - net	<u>\$ 6,067</u>	<u>\$ 9,572</u>

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$4,065 and \$5,686, respectively.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2018 and 2017

4. *Line of Credit*

The Organization has a \$316,830 revolving line of credit with Merrill Lynch Global Wealth Management that has no stated expiration date, bearing interest at 5.4% and secured by the board designated endowment. At June 30, 2018 and 2017, the amount of debt outstanding on this line of credit totaled \$135,000 and \$100,000, respectively. Interest expense paid during fiscal year 2018 and 2017, was \$5,805 and \$4,032, respectively.

5. *Investments*

Investments consist of mutual funds at June 30, 2018 and 2017. Fair value of mutual funds is based on quoted prices in active markets.

At June 30, 2018 and 2017, interest and dividend income, totaling \$29,107 and \$20,060, respectively, net of investment expenses totaling \$7,774 and \$6,630, respectively, are reported as other income in the statements of activities. At June 30, 2018 and 2017, net realized gains totaling \$18,495 and \$19,624, respectively, and unrealized gains totaling \$9,420 and \$8,348, respectively are reported as such in the statement of activities.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
<i>Description</i>	<i>Level 1</i>	<i>Level 1</i>
Corporate Bond Funds	\$ 240,089	\$ 256,101
Multisector Bond Funds	240,221	185,870
Small Blend Funds	25,233	22,398
Large Blend Funds	142,658	125,457
Large Value Funds	48,271	59,299
Large Growth Funds	47,789	29,096
Natural Resources	15,930	60,562
Diversified Emerging Mkts	<u>7,013</u>	<u>-</u>
Total	<u>\$ 767,204</u>	<u>\$ 738,783</u>

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2018 and 2017

6. *Endowment*

The Organization's endowment consists of one permanently restricted fund and a board designated fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restrictions require the Organization to maintain permanently restricted net assets in perpetuity.

The Board of Directors of the Organization (the Board) has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 permanently restricted net assets (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 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. 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 SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified portfolio of liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price. The goal is, net of spending, to grow the aggregate portfolio value of the endowment by at least the rate of inflation, which based on historical trends, is estimated to be 3% per annum over the Organization's investment horizon (5 years), while adhering to the risk parameters established in the investment policy. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Organization has a policy of appropriating for distribution each year any investment earnings in excess of 3% of the fund's total return per annum, which is measured based upon the moving average of the last three years' fund total return measured at the end of the month preceding the budget process. The exact amount spent is determined in the budget process and approved by the Board.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2018 and 2017

6. *Endowment – Continued*

A summary of the endowment activity is as follows:

	<i>2018</i>	<i>2017</i>
Endowment net assets - beginning of year	<u>\$ 831,509</u>	<u>\$ 788,963</u>
Investment return:		
Investment income	31,082	22,562
Net appreciation (realized and unrealized)	<u>27,972</u>	<u>28,355</u>
Total investment return	59,054	50,917
Withdrawals	(2,658)	(2,500)
Fees	<u>(7,088)</u>	<u>(5,871)</u>
Endowment net assets - end of year	880,817	831,509
Less permanently restricted net assets	(100,000)	(100,000)
Less temporarily restricted net assets	<u>(41,684)</u>	<u>(32,972)</u>
Endowment unrestricted net assets	<u>\$ 739,133</u>	<u>\$ 698,537</u>

In prior years, the Organization borrowed a total of \$272,000 from the endowment to fund operations in accordance with their Fund Spending and Borrowing Policy Statement. At June 30, 2018 and 2017, the principal balance on this loan totaled \$137,642. June 30, 2018 and 2017, accrued interest on this loan totaled \$17,275 and \$12,763, respectively.

7. *Lease Commitments*

The Organization leases its office facility under an operating lease that expires on January 31, 2019. Rent expense for the years ended June 30, 2018 and 2017, totaled \$95,585 and \$95,165, respectively. Future minimum rent under this operating lease is as follows:

<i>Year Ended</i>	<i>Amount</i>
<i>June 30,</i>	
2019	\$ 49,676

8. *Inkind Contributions*

In-kind contributions of services and materials to support programs and special events have been recorded at fair value as both revenue and expense in the accompanying statements of activities. For the years ended June 30, 2018 and 2017, in-kind contributions totaled \$35,112 and \$38,582, respectively.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2018 and 2017

9. *Related Party Transactions*

The Organization pays Junior Achievement USA (JA USA) an annual license fee calculated as a percentage of revenues generated. License fee expense for the years ended June 30, 2018 and 2017, was \$44,042 and \$55,206, respectively.

The Organization also purchases insurance and certain program materials from JA USA. Such purchases for the years ended June 30, 2018 and 2017, amounted to \$170,454 and \$179,336, respectively.

Amounts due to JA USA at June 30, 2018 and 2017, totaled \$12,012 and \$5,897, respectively.

10. *Pension Plan*

The Organization participates in a pension plan (the Plan) sponsored by JA USA. The Plan covers all employees with at least one year and 1,000 hours of service. Benefits are determined based on years of service and salary history. The Plan is funded by participating employers as assessed by JA USA. The Organization recognizes its required contribution for the year as pension expense and recognizes unpaid contributions required for the year as a liability. Plan assets are invested by JA USA. Participating employers who withdraw from the Plan remain liable for accumulated funding obligations. Total pension expense for each the years ended June 30, 2018 and 2017, was \$29,631, and is included in salaries and related expenses in the statements of functional expenses.

11. *Concentrations of Credit Risk*

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

The Organization's bank account is held at a financial institution that is FDIC insured up to the maximum amount of \$250,000 per depositor. The balance on deposit in this account may exceed this insured limit at times during the fiscal year. The Organization has not experienced any losses in this account, and management believes that the Organization is not exposed to any significant credit risk on cash.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2018 and 2017

12. *Restricted Net Assets*

Temporarily restricted net assets at June 30, 2018 and 2017, consisted of the following:

<i>Description</i>	<i>2018</i>	<i>2017</i>
Net appreciation on endowment investments	\$ 41,684	\$ 32,972
Program restricted	<u>356,211</u>	<u>252,205</u>
Total	<u>\$ 397,895</u>	<u>\$ 285,177</u>

Permanently restricted net assets consist of a program endowment that is required to be invested in perpetuity. Investment income earned on this endowment is restricted to use for specific organizational programs.

13. *Subsequent Events*

The Organization has evaluated subsequent events through December 13, 2018 which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018, that requires recognition or disclosure in these financial statements.

SUPPLEMENTAL INFORMATION

Junior Achievement of Northern New England, Inc.

Financial Information Schedule

(As Prescribed By JA USA)

For the year ended June 30, 2018

Audited Revenue Subject to License Fee

Area ID: 100901

Junior Achievement of Northern New England

For Year Ending June 30, 2018

Revenue per Audit:

Total Unrestricted Revenue	\$ 1,440,278
Total Permanently Restricted Revenue	-
Add in 6/30/17 Total Pledges (Accounts Receivable) - Gross	99,764
Subtract 6/30/18 Total Pledges (Accounts Receivable) - Gross	(246,414)
Add Special Event Expenses if Net Special Event was presented:	<u>232,612</u>
Adjusted Total Revenue:	1,526,240

Subtract:

In-Kind	(34,812)
In-Kind Special Event (if included in Special Event Revenue)	(300)
Other Income - from Statement of Activities	(10,198)
Realized Gains/Losses (other than temporarily restricted)	(14,692)
Unrealized Gains/Losses (other than temporarily restricted)	(4,511)
Investment Income	(21,333)
Interest	-
Rental Income	-
Pass-through from Junior Achievement USA, if it was exempt from License Fee	(151,675)
Actual Pledges Write-offs	(2,250)

If the following two items are included in the Adjusted Revenue section above,
including Released from Restriction, attach a signed waiver:

* Capital Campaign	-
* Scholarships for Higher Education	<u>-</u>

Total Subject to License Fee: \$ 1,286,469

License Fee Calculated:

\$ 44,756

(9% of first \$300,000, 1.8% over \$300,000)

* Must have signed waivers

Junior Achievement of Northern New England, Inc.

Financial Information Schedule – *Continued*

(As Prescribed By JA USA)

For the year ended June 30, 2018

Area ID 100901

Fiscal Year Ending June 30, 2018

Other Income:

Other Income \$10,198

Total Other Income \$10,198

Junior Achievement of Northern New England, Inc.

Financial Information Schedule – *Continued*

(As Prescribed By JA USA)

For the year ended June 30, 2018

Area ID 100901

Fiscal Year Ending June 30, 2018

Pass-Through from JA USA:

<i>Purpose/Donor</i>	<i>Date</i>	<i>Amount</i>	<i>Exempt</i>	<i>Not Exempt</i>
Santander Bank	11/10/2017	\$ 65,000	\$ 65,000	\$ -
Santander Bank	11/17/2017	3,500	3,500	-
People's United Bank	1/5/2018	28,450	28,450	-
Voya	3/2/2018	10,000	10,000	-
TD Ameritrade	3/2/2018	10,000	10,000	-
Fidelity	2/23/2018	4,725	4,725	-
Factset	3/23/2018	5,000	5,000	-
AIG	4/20/2018	25,000	25,000	-
Voya	3/30/2018	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total		<u>\$ 161,675</u>	<u>\$ 151,675</u>	<u>\$ 10,000</u>
Total Exempt Pass-Through			<u>\$ 151,675</u>	