

# **Junior Achievement USA**

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015

**Junior Achievement USA**  
**June 30, 2016 and 2015**

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## Independent Auditor's Report

Board of Directors  
Junior Achievement USA  
Colorado Springs, Colorado

We have audited the accompanying financial statements of Junior Achievement USA (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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.

### ***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 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 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 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.

Board of Directors  
Junior Achievement USA

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement USA as of June 30, 2016 and 2015, 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.

***Supplementary Information***

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

*BKD, LLP*

Colorado Springs, Colorado  
October 11, 2016

**Junior Achievement USA**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

**Assets**

	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,660,987	\$ 6,473,600
Investments	11,200,803	11,589,359
Contributions receivable, net	1,239,149	1,931,733
Affiliates accounts receivable, net of allowance; 2016 - \$48,837 and 2015 - \$46,410	778,244	754,902
Inventory, net	3,539,250	2,287,604
Prepaid expenses	336,005	434,938
Due from related party	5,520	-
Accounts receivable - other	<u>23,106</u>	<u>58,521</u>
Total current assets	23,783,064	23,530,657
<b>Contributions Receivable, Net</b>	574,132	1,739,842
<b>Affiliates Accounts Receivable, Net of Current Portion and Allowance; 2016 - \$26,163 and 2015 - \$108,590</b>	48,323	85,440
<b>Fixed Assets, Net</b>	<u>1,786,105</u>	<u>2,708,671</u>
Total assets	<u>\$ 26,191,624</u>	<u>\$ 28,064,610</u>

**Junior Achievement USA**  
**Statements of Financial Position (continued)**  
**June 30, 2016 and 2015**

**Liabilities and Net Assets**

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities</b>		
Accounts payable - trade	\$ 4,357,620	\$ 3,617,326
Accrued liabilities	281,684	241,636
Deferred revenue	116,510	147,513
Current maturities of capital lease obligations	73,373	79,201
Due to related party	-	33,743
Funds held for affiliates	947,720	1,635,630
	<hr/>	<hr/>
Total current liabilities	5,776,907	5,755,049
<b>Capital Lease Obligations, Net of Current Maturities</b>	74,545	147,918
	<hr/>	<hr/>
Total liabilities	5,851,452	5,902,967
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted, undesignated	12,291,551	11,451,016
Board-designated	1,339,402	1,321,540
	<hr/>	<hr/>
Total unrestricted net assets	13,630,953	12,772,556
Temporarily restricted	6,709,219	9,389,087
	<hr/>	<hr/>
Total net assets	20,340,172	22,161,643
	<hr/>	<hr/>
Total liabilities and net assets	\$ 26,191,624	\$ 28,064,610
	<hr/> <hr/>	<hr/> <hr/>

**Junior Achievement USA**  
**Statement of Activities**  
**Year Ended June 30, 2016**

	<b>Unrestricted - Undesignated</b>	<b>Board- Designated</b>	<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and Revenue</b>					
Contributions	\$ 1,646,397	\$ 9,000	\$ 1,655,397	\$ 2,636,005	\$ 4,291,402
In-kind contributions	250,000	-	250,000	-	250,000
Materials sales	14,443,435	-	14,443,435	-	14,443,435
Area license fees	4,800,207	-	4,800,207	-	4,800,207
Investment return	195,030	17,269	212,299	4,193	216,492
Other income	553,906	-	553,906	-	553,906
Net assets released from restrictions	5,320,066	-	5,320,066	(5,320,066)	-
	<u>27,209,041</u>	<u>26,269</u>	<u>27,235,310</u>	<u>(2,679,868)</u>	<u>24,555,442</u>
<b>Expenses</b>					
Program services					
Field services	8,410,102	1,472	8,411,574	-	8,411,574
Communications and marketing	1,540,587	-	1,540,587	-	1,540,587
Research and development	9,783,651	-	9,783,651	-	9,783,651
Human resources	562,156	-	562,156	-	562,156
	<u>20,296,496</u>	<u>1,472</u>	<u>20,297,968</u>	<u>-</u>	<u>20,297,968</u>
Support services					
Management and general	4,697,659	6,935	4,704,594	-	4,704,594
Fundraising	1,374,351	-	1,374,351	-	1,374,351
	<u>6,072,010</u>	<u>6,935</u>	<u>6,078,945</u>	<u>-</u>	<u>6,078,945</u>
	<u>26,368,506</u>	<u>8,407</u>	<u>26,376,913</u>	<u>-</u>	<u>26,376,913</u>
<b>Change in Net Assets</b>	840,535	17,862	858,397	(2,679,868)	(1,821,471)
<b>Net Assets, Beginning of Year</b>	<u>11,451,016</u>	<u>1,321,540</u>	<u>12,772,556</u>	<u>9,389,087</u>	<u>22,161,643</u>
<b>Net Assets, End of Year</b>	<u>\$ 12,291,551</u>	<u>\$ 1,339,402</u>	<u>\$ 13,630,953</u>	<u>\$ 6,709,219</u>	<u>\$ 20,340,172</u>

**Junior Achievement USA**  
**Statement of Activities**  
**Year Ended June 30, 2015**

	<b>Unrestricted - Undesignated</b>	<b>Board- Designated</b>	<b>Total Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and Revenue</b>					
Contributions	\$ 1,180,380	\$ 9,000	\$ 1,189,380	\$ 7,904,629	\$ 9,094,009
In-kind contributions	3,097	-	3,097	-	3,097
Materials sales	14,009,199	-	14,009,199	-	14,009,199
Area license fees	4,730,134	-	4,730,134	-	4,730,134
Investment return	125,994	(13,146)	112,848	(65,754)	47,094
Other income	537,618	-	537,618	-	537,618
Net assets released from restrictions	6,306,682	-	6,306,682	(6,306,682)	-
	<u>26,893,104</u>	<u>(4,146)</u>	<u>26,888,958</u>	<u>1,532,193</u>	<u>28,421,151</u>
<b>Expenses</b>					
Program services					
Field services	8,282,478	875	8,283,353	-	8,283,353
Communications and marketing	1,425,148	-	1,425,148	-	1,425,148
Research and development	9,395,362	-	9,395,362	-	9,395,362
Human resources	485,634	-	485,634	-	485,634
	<u>19,588,622</u>	<u>875</u>	<u>19,589,497</u>	<u>-</u>	<u>19,589,497</u>
Support services					
Management and general	4,848,626	7,168	4,855,794	-	4,855,794
Fundraising	1,288,516	-	1,288,516	-	1,288,516
	<u>6,137,142</u>	<u>7,168</u>	<u>6,144,310</u>	<u>-</u>	<u>6,144,310</u>
	<u>25,725,764</u>	<u>8,043</u>	<u>25,733,807</u>	<u>-</u>	<u>25,733,807</u>
<b>Change in Net Assets</b>	1,167,340	(12,189)	1,155,151	1,532,193	2,687,344
<b>Net Assets, Beginning of Year</b>	<u>10,283,676</u>	<u>1,333,729</u>	<u>11,617,405</u>	<u>7,856,894</u>	<u>19,474,299</u>
<b>Net Assets, End of Year</b>	<u>\$ 11,451,016</u>	<u>\$ 1,321,540</u>	<u>\$ 12,772,556</u>	<u>\$ 9,389,087</u>	<u>\$ 22,161,643</u>



**Junior Achievement USA**  
**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
Change in net assets	\$ (1,821,471)	\$ 2,687,344
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	953,473	1,649,926
Bad debt expense	-	1,270
Net realized and unrealized loss on investments	205,213	314,370
Changes in assets and liabilities		
Contributions receivable	1,858,294	(1,518,224)
Affiliate accounts receivable	49,190	(144,672)
Inventory	(1,251,646)	519,675
Prepaid expenses	98,933	(101,753)
Accounts payable and accrued liabilities	780,342	(60,615)
Deferred revenue	(31,003)	(4,161)
Funds held for affiliates	(687,910)	862,119
Due from/to related party	(39,263)	59,069
	<u>114,152</u>	<u>4,264,348</u>
<b>Investing Activities</b>		
Purchase of investments	(8,610,917)	(7,341,370)
Purchase of fixed assets	(30,907)	-
Proceeds from sale of investments	<u>8,794,260</u>	<u>2,842,076</u>
	<u>152,436</u>	<u>(4,499,294)</u>
<b>Financing Activities</b>		
Repayments of capital lease obligations	<u>(79,201)</u>	<u>(79,162)</u>
	<u>(79,201)</u>	<u>(79,162)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	187,387	(314,108)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>6,473,600</u>	<u>6,787,708</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,660,987</u>	<u>\$ 6,473,600</u>

# **Junior Achievement USA**

## **Notes to Financial Statements**

### **June 30, 2016 and 2015**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Junior Achievement USA® (the Organization) is the Regional Operating Center for the United States. The Organization reaches out to the local community through a network of area offices who educate and inspire young people to value free enterprise, business and economics to improve the quality of their lives. The Organization teaches students in kindergarten through 12<sup>th</sup> grade about business and economics and accomplishes its mission by placing a volunteer in the classroom to present the Organization's educational curricula and materials. An area office is a community-based organization that serves a specific geographic area. Each area office is incorporated under the guidelines of its respective state and by-laws, which govern the actions and responsibilities of the area office's Board of Directors. The Regional Operating Center and the area offices join together under the terms of a signed agreement whose guiding principle is mutual support. As of June 30, 2016, 112 U.S. area offices provided programs in 50 states. The area offices' financial statements are not included in the financial statements of the Organization, since it does not have a controlling interest in the area offices' Board of Directors or a financial interest in the area offices' operations. The by-laws of each area office designate a similar purpose not-for-profit organization to receive the residual interest of an area office in the event of dissolution.

The Organization's primary revenues come from corporate and individual contributions, private grants, material sales and license fees charged to area offices.

##### ***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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less that are not held for investment purposes to be cash equivalents. At June 30, 2016 and 2015, cash equivalents consisted primarily of money market funds with brokers.

At June 30, 2016, the Organization's cash accounts exceeded federally insured limits by approximately \$5,480,000.

Some of the Organization's accounts (classified as money market accounts) are not eligible for FDIC coverage because they are held with a brokerage firm. These accounts total approximately \$905,000 at June 30, 2016.

# **Junior Achievement USA**

## **Notes to Financial Statements**

### **June 30, 2016 and 2015**

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investments in certificates of deposit are valued at cost, which approximates market. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return is reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

#### ***Affiliates Accounts Receivable***

The Organization's affiliates accounts receivable are comprised principally of sales of materials to area offices as well as area office license fees.

All area offices pay license fees in 10 equal payments using audit verified revenue from the area office's prior year audited financial statements.

Area offices having a balance outstanding of more than 60 days after the end of the month in which the receivable is recognized are considered past due.

Management has established an allowance for doubtful accounts in the amounts of \$75,000 and \$155,000 at June 30, 2016 and 2015, respectively. The allowance is determined by taking into consideration the unique relationship of dependence between area offices and the Organization to deliver the Junior Achievement programs. Area offices having balances over 90 days past due are reviewed by management to determine the appropriate allowance based on past payment history and adherence to their payback plan. An additional 5% of the remaining balance of accounts receivable from affiliates was added to these estimates to arrive at the allowance for doubtful accounts for both 2016 and 2015.

Management will charge-off receivables as uncollectible from area offices based on predetermined payback plan agreements that result in less than 100% collection of receivables.

#### ***Inventory***

Inventory is recorded at the lower of cost or market (cost determined on a first-in, first-out basis). Inventory consists solely of educational textbooks and products.

#### ***Fixed Assets***

Fixed assets are recorded at cost. Donated fixed assets are recorded at fair market value on the date of the gift. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Buildings are depreciated using an estimated life of 31.5 years. Estimated useful lives of three to five years are used to depreciate furniture and equipment including assets purchased under capital lease obligations, software and hardware.

# **Junior Achievement USA**

## **Notes to Financial Statements**

### **June 30, 2016 and 2015**

#### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

#### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor, and for which the restriction is met in the same time period, are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

#### ***In-kind Contributions***

In addition to receiving cash contributions, the Organization received in-kind contributions of software, services and other gifts from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense or as a fixed asset in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2016 and 2015, \$250,000 and \$3,097, respectively, was received in in-kind contributions.

#### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

# Junior Achievement USA

## Notes to Financial Statements

### June 30, 2016 and 2015

#### ***Functional Allocation of Expenses***

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on relative efforts expended on each activity. Program expenses include the following:

*Field services:* Encompasses a range of direct support to 115 area offices of the Organization in their mission to provide high-quality economic education to students in the schools, cities and communities served.

*Communications and marketing:* Heightens awareness and understanding of the Organization's purpose and mission to corporations, volunteers, educators and the general public at local and national levels.

*Research and development:* Encompasses the development and updates of sequential economic education curriculum for every grade from kindergarten through 12<sup>th</sup>.

*Human resources:* Encompasses the training and development of competent professionals necessary to deliver high-quality economic education programs through the use of business volunteers in the classrooms.

#### ***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 2: Investments and Investment Return**

Investments at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
<b>Money market mutual funds</b>	\$ 108,721	\$ 2,108,800
<b>Equity securities</b>		
Domestic mutual funds		
Small-cap funds	436,922	391,528
Mid-cap funds	541,598	578,647
Large-cap funds	2,076,525	1,294,198
International mutual funds		
Emerging Markets	285,267	245,280
Large-cap funds	725,222	630,508
Real asset mutual funds	216,286	199,080
Alternative strategy mutual funds	862,062	756,443
<b>Fixed income securities</b>		
Mortgage backed securities	388,798	161,893
Corporate bonds	2,132,809	2,214,044
Government bonds	1,903,677	1,147,371
International bond funds	857,472	1,212,560
Domestic bond funds	665,444	649,007
	<u>\$ 11,200,803</u>	<u>\$ 11,589,359</u>

Total investment return is comprised of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 421,705	\$ 361,464
Net realized and unrealized losses on investments reported at fair value	<u>(205,213)</u>	<u>(314,370)</u>
	<u>\$ 216,492</u>	<u>\$ 47,094</u>

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 3: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

***Recurring Measurements***

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2016</b>				
Money market mutual funds	\$ 108,721	\$ 108,721	\$ -	\$ -
Equity securities				
Domestic mutual funds				
Small-cap funds	436,922	436,922	-	-
Mid-cap funds	541,598	541,598	-	-
Large-cap funds	2,076,525	2,076,525	-	-
International mutual funds				
Emerging markets	285,267	285,267	-	-
Large-cap funds	725,222	725,222	-	-
Real asset mutual funds	216,286	216,286	-	-
Alternative strategy mutual funds	862,062	862,062	-	-
Fixed income securities				
Mortgage backed securities	388,798	-	388,798	-
Corporate bonds	2,132,809	-	2,132,809	-
Government obligations	1,903,677	-	1,903,677	-
International bond funds	857,472	857,472	-	-
Domestic bond funds	665,444	665,444	-	-
Total	<u>\$ 11,200,803</u>	<u>\$ 6,775,519</u>	<u>\$ 4,425,284</u>	<u>\$ -</u>



**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>June 30, 2015</b>				
Money market mutual funds	\$ 2,108,800	\$ 2,108,800	\$ -	\$ -
Equity securities				
Domestic mutual funds				
Small-cap funds	391,528	391,528	-	-
Mid-cap funds	578,647	578,647	-	-
Large-cap funds	1,294,198	1,294,198	-	-
International mutual funds				
Emerging markets	245,280	245,280	-	-
Large-cap funds	630,508	630,508	-	-
Real asset mutual funds	199,080	199,080	-	-
Alternative strategy mutual funds	756,443	756,443	-	-
Fixed income securities				
Mortgage backed securities	161,893	-	161,893	-
Corporate bonds	2,214,044	-	2,214,044	-
Government obligations	1,147,371	-	1,147,371	-
International bond funds	1,212,560	1,212,560	-	-
Domestic bond funds	649,007	649,007	-	-
Total	<u>\$ 11,589,359</u>	<u>\$ 8,066,051</u>	<u>\$ 3,523,308</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation technique during the year ended June 30, 2016. The Organization does not carry any securities classified within Level 3 of the hierarchy.

**Money Market Mutual Funds and Equity Securities**

The Organization is invested in money market mutual funds, domestic and international equity mutual funds, real asset mutual funds and alternative strategy mutual funds where quoted market prices for identical securities are available in an active market. As such, these investments are all classified within Level 1 of the valuation hierarchy.

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Fixed Income Securities**

The Organization's fixed income securities include domestic and international fixed income bond funds, where quoted market prices for identical securities are available in an active market. These investments are classified within Level 1 of the valuation hierarchy.

The Organization is also invested in mortgage-backed securities, corporate bonds and governmental obligations where quoted market prices are not available in an active market. Fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. These investments are classified within Level 2 of the valuation hierarchy.

**Note 4: Contributions Receivable**

Contributions receivable consist of the following at June 30:

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Due within one year	\$ 30,393	\$ 1,208,756	\$ 1,239,149
Due in one to five years	-	590,000	590,000
	30,393	1,798,756	1,829,149
Unamortized discount	-	(15,868)	(15,868)
	<u>\$ 30,393</u>	<u>\$ 1,782,888</u>	<u>\$ 1,813,281</u>
	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Due within one year	\$ 40,000	\$ 1,891,733	\$ 1,931,733
Due in one to five years	-	1,776,000	1,776,000
	40,000	3,667,733	3,707,733
Unamortized discount	-	(36,158)	(36,158)
	<u>\$ 40,000</u>	<u>\$ 3,631,575</u>	<u>\$ 3,671,575</u>

Discount rates ranged from 0.50% to 1.01% for 2016 and 2015, respectively. Management believes these receivables are fully collectable, thus no allowance has been recorded for 2016 and 2015.

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 5: Conditional Gifts**

The Organization has received the following conditional promises to give at June 30 that are not recognized in the financial statements:

	<u>2016</u>	<u>2015</u>
Conditional promise to give upon approval of satisfactory progress of the related project	\$ -	\$ 61,000

**Note 6: Fixed Assets, Net**

Property and equipment at June 30, 2016 and 2015 consists of:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,260,730	\$ 1,260,730
Buildings	4,120,471	4,120,471
Software	5,771,728	6,217,336
Furniture and equipment	1,032,308	1,001,402
Enterprise platform	-	508,812
Artwork	30,000	30,000
	<u>12,215,237</u>	<u>13,138,751</u>
Less accumulated depreciation and amortization	<u>10,429,132</u>	<u>10,430,080</u>
	<u>\$ 1,786,105</u>	<u>\$ 2,708,671</u>

**Note 7: Line of Credit**

The Organization had a \$1,000,000 revolving bank line of credit expiring September 20, 2015. During 2016 and 2015, no amounts were borrowed against this line. The line was collateralized by substantially all of the 2015 Organization's assets. Interest varied with the bank's prime rate, which was 3.50% on June 30, 2015, plus 0.50%, and was payable monthly. Upon expiration, the Organization did not renew the facility.

**Junior Achievement USA**  
**Notes to Financial Statements**  
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**Note 8: Capital Lease Obligations**

Long-term debt at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Capital lease obligations (A)	\$ 147,918	\$ 227,119
Less current maturities	<u>73,373</u>	<u>79,201</u>
	<u>\$ 74,545</u>	<u>\$ 147,918</u>

(A) Capital leases include office equipment with lease terms up to four years, expiring 2019 with interest rates ranging from 1.3% - 1.65%.

Aggregate annual maturities on capital lease obligations at June 30, 2016 are:

	<u>Capital Lease Obligations</u>
2017	\$ 74,912
2018	73,100
2019	<u>1,932</u>
	149,944
Less amount representing interest	<u>2,026</u>
Present value of future minimum lease payments	<u>\$ 147,918</u>

Property and equipment includes the following under capital leases at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 320,423	\$ 320,423
Less accumulated depreciation	<u>(176,480)</u>	<u>(98,335)</u>
	<u>\$ 143,943</u>	<u>\$ 222,088</u>

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 9: Board-designated and Temporarily Restricted Net Assets**

Board-designated net assets established by the Board of Directors consist of the following at June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Headquarters Development	\$ 1,132,005	\$ 1,121,673
Colgate-Hook Memorial	199,443	191,913
Leadership Conference Scholarship Fund	7,954	7,954
Total Board-designated net assets	\$ 1,339,402	\$ 1,321,540

Temporarily restricted funding and grants have been donor restricted for specific purposes or specified time frames. Restrictions are for the development of various types of curriculum: after school, online programs, ethics curriculum and personal financial literacy programs. Grants provide leadership, marketing and awareness and scholarship awards.

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
AICPA Finance Career Cluster	\$ 5,000	\$ 50,000
AIG Partnership	24,018	29,479
Allstate Foundation	-	500
Ally Financial	13,000	-
American Honda PF	997,342	1,496,473
Amex Volunteer Support	241,117	
Anonymous	-	387,978
AT&T - Job Shadow (15-16)	37,826	-
Bank of America	1,755	-
Capital One (15-16)	700,386	740,667
Capital One - Finance Park	74,696	185,086
Capital One - Paperless Initiative FP	217,776	124,921
Cisco Foundation	-	20,000
Citi Foundation	236,479	-
Citi/One Main Financial	7,179	70,094
Coca-Cola Foundation	22,220	-
Donaldson Foundation	32,425	-
E*Trade Vol Partnership	27,800	23,500
Emerson - Company Program	7,256	107,957
Emerson - It's My Future	271,127	288,434
Ernst & Young	150,000	-
Fidelity - JA Titan	130,470	-
Fidelity FP Virtual	-	23,441
Flemke Memorial Fund	165,337	135,644
Hartford - NSLS	369,039	375,000
Hartford - Student Scholarship	116,000	140,000
Heritage Campaign	37,971	40,663
HSBC - Global Marketplace	1,218,842	1,645,925
HSBC - Volunteer Alliance	14,424	-
ICE NYSE	2,008	-
Jim Hayes Endowment	22,129	21,927
KPMG JA Finance Park	516,734	681,672
Manpower	212,892	237,532
Manpower Group FP & BT	6,000	37,500
Marsh & McLennan	7,313	9,750

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
	<b>(continued)</b>	<b>(continued)</b>
	<hr/>	<hr/>
Mass Mutual - Vol Alliance	-	29,984
Microsoft - Career Cluster	-	25,000
Microsoft - Job Shadow	-	60,600
Microsoft Software	1,823	705,318
PMI Educational Foundation	34,413	23,438
PwC Mobile App	1,688	34,763
Robert Half - JA My Way	14,850	-
S B Colgate	115,617	154,958
Santander Bank	8,775	-
Share the American Dream	148,437	435,999
T. Rowe Price	-	27,377
Taco Bell	-	7,542
The Hartford Company Program	371,795	714,702
UPS Be Entrepreneurial	15,525	28,493
USA COY	-	49,990
Voya Foundation	30,173	100,000
For periods after June 30		
El Pomar	79,562	116,780
	<hr/>	<hr/>
Total temporarily restricted	<u>\$ 6,709,219</u>	<u>\$ 9,389,087</u>

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 10: Net Assets Released from Restrictions**

Net assets were released from temporary restrictions by incurring expenses satisfying restricted purposes for the years ended June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Accenture Work Readiness	\$ -	\$ 2,920
AICPA Finance Career Cluster	45,000	-
AIG - Partnership	58,112	47,521
Allstate Foundation	500	10,737
Allstate Foundation - Teen Survey	-	149,500
Ally Financial	13,000	13,000
American Honda - PF	499,131	273,235
Amex Volunteer Support	58,883	-
Anonymous	387,978	262,022
AT&T - Job Shadow	145,670	236,911
Bank of America	845	2,600
Capital One (15 - 16)	574,938	75,333
Capital One - Finance Park	110,389	721,736
Capital One - Paperless Initiative FP	16,106	417,072
Capital One - Virtual FP	171,224	-
Cisco Foundation	20,000	-
Citi - Digital Strategy	-	102,559
Citi Foundation	13,521	-
Citi/One Main Financial	65,076	179,906
Coca-Cola Foundation	14,780	-
Donaldson Foundation	17,575	-
E*Trade Vol Partnership	15,700	6,500
Emerson - Company Program	100,700	86,323
Emerson - It's My Future	23,099	-
Ernst & Young	78,119	1,258
FedEx - Student Leadership	75,000	-
Fidelity - JA Titan	19,530	-
Fidelity FP Virtual	23,441	15,859
Fidelity Investments	-	5,000
Flemke Memorial Fund	11,138	16,037
Hall Of Fame	-	14,361
Hartford NSLS	29,961	125,000
Heritage Campaign	3,136	9,917



**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
	<b>(continued)</b>	<b>(continued)</b>
HSBC - Global Marketplace	432,808	93,580
HSBC - Volunteer Initiative	14,476	2,865
HSBC - Volunteer Alliance	5,890	15,840
ICE NYSE	97,992	-
Jim Hayes Endowment	136	140
KPMG JA Finance Park	165,347	349,008
Manpower	27,889	6,070
Manpower Group FP & BT	31,500	7,500
Marsh & McLennan	12,188	-
Mass Mutual	30,228	41,215
Microsoft - Job Shadow	60,600	141,400
Microsoft - Job Shadow (13-14)	-	42,821
Microsoft - NSLS	25,000	-
Microsoft Software	703,495	1,385,119
Microsoft - Career Cluster	25,000	-
PMI Educational Foundation	50,024	37,562
PwC Mobile App	40,575	37,181
Robert Half - JA My Way	35,150	-
S B Colgate	39,341	43,033
Santander Bank	10,725	-
Sam's Club - Giving Program	-	60,941
Share the American Dream	322,541	278,679
T. Rowe Price	27,377	12,000
Taco Bell	7,540	77,308
The Hartford Company Program	342,907	648,641
UPS - Be Entrepreneurial	58,968	32,620
USA COY	49,990	181,852
VOYA Foundation	69,827	-
Time restriction release		
Michael Deniszczuk	-	5,000
Stella and Charles Guttman	-	1,000
El Pomar	40,000	30,000
	<u>40,000</u>	<u>30,000</u>
Total restrictions released	<u>\$ 5,320,066</u>	<u>\$ 6,306,682</u>

Certain restrictions may be modified by the donor. When this occurs, the amount may be reclassified to another category, but will not be shown as released from restrictions.

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 11: Pension and Postretirement Plan**

***Multi-employer Pension Plan***

The Organization offers a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by the Organization and covers all full-time employees of the Organization, JA Worldwide, Inc. and participating Junior Achievement chapters in the United States. The Plan is accounted for like a multi-employer plan. Benefits are determined based on years of service and salary history. The Plan's assets are invested in various investment funds. The respective participants' employers are required to fund the Plan, as determined necessary by the Organization's Board of Directors, based on an annual actuarial valuation. The Organization makes contributions equal to 16.75% of participants' eligible compensation. The Plan requires that participating members who withdraw from the Plan, remain liable for any previous funding obligations under the Plan. Accordingly, the Organization recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization.

***Total Plan Information***

A June 30 measurement date is used for the Plan. Significant balances, costs and assumptions are:

	<b>2016</b>	<b>2015</b>
Benefit obligation	\$ (81,344,372)	\$ (77,147,902)
Fair value of Plan assets	<u>55,068,370</u>	<u>54,503,578</u>
Underfunded status	<u>\$ (26,276,002)</u>	<u>\$ (22,644,324)</u>
Accumulated benefit obligation	<u>\$ 74,857,471</u>	<u>\$ 70,170,258</u>

Significant assumptions include:

Weighted-average assumptions used to determine benefit obligations at June 30:

	<b>2016</b>	<b>2015</b>
Discount rate	3.25%	4.00%
Rate of compensation increase	4.00%	4.00%

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

Weighted-average assumptions used to determine benefit costs at June 30:

	<u>2016</u>	<u>2015</u>
Discount rate	3.25%	4.00%
Expected return on Plan assets	6.25%	6.25%
Rate of compensation increase	4.00%	4.00%

The estimated long-term rate of return on Plan assets is based primarily on historical returns on Plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the Plan as of June 30, 2016:

2017	\$ 9,282,336
2018	5,927,476
2019	7,503,691
2020	6,177,944
2021	5,947,280
2022 to 2026	28,753,237

Plan assets are held by Fidelity Investments and investment decisions are made in accordance with the provisions of the Plan's investment agreement by the Plan's investment advisor. The investment agreement permits investment in common stocks, corporate bonds, real estate and cash based on certain target allocation percentages.

The investment objective of the Plan is to construct an investment strategy that:

- Provides a high probability of attaining fully funded status;
- Retains the ability to pay benefits and expense obligations when due;
- Retains a funding cushion for unexpected developments;
- Maximizes the long-term returns that can be achieved within the level of risk that is reasonable and prudent; and
- Provides the Plan Sponsor with the flexibility to reduce future contributions, or increase future benefits, in a way that enables the Plan Sponsor to continue to provide competitive retirement benefits to its employees.

The target asset allocation percentages for 2016 are:

Equity mutual funds	Not to exceed 65%
Corporate debt securities	Not to exceed 48%
Real estate	Not to exceed 6%
Cash and cash equivalents	Not to exceed 2%

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

Plan assets are rebalanced quarterly. At June 30, Plan assets by category are as follows:

	<b>2016</b>	<b>2015</b>
Equity mutual funds	50.90%	55.00%
Fixed income mutual funds	42.60%	40.00%
Real estate mutual funds	5.40%	5.00%
Cash	1.10%	0.00%
	100.00%	100.00%

***Information on Organizations' Participating in the Plan***

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

1. Assets contributed to the multi-employer plan by one employer may 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 the Plan, the Organization would be required to pay the Plan 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. The Plan's funded status available in 2016 and 2015 is for years ended June 30, 2016 and 2015, respectively. There have been no significant changes that affect the comparability of 2016 and 2015 contributions.

<b>Pension Fund</b>	<b>EIN/Pension Plan Number</b>	<b>Funded Status</b>		<b>Contributions of Organization</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN 333	68%	71%	\$ 1,080,832	\$ 1,012,501

The Organization was listed in its Plan's Form 5500 as providing more than 5% of the total contributions for the June 30, 2016 and 2015 plan years.

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**Note 12: Health and Welfare Benefits Trust and Postretirement Benefits Plan**

***Health and Welfare Benefits Trust***

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

The following represents summarized financial information pertaining to the Benefits Trust as of and for the years ended June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Assets	\$ 6,492,137	\$ 5,678,025
Liabilities	<u>226,110</u>	<u>211,796</u>
Net assets	<u>\$ 6,266,027</u>	<u>\$ 5,466,229</u>
Additions to net assets	\$ 7,143,253	\$ 6,889,679
Deductions from net assets	<u>6,343,455</u>	<u>6,951,534</u>
Change in net assets	799,798	(61,855)
Net assets, beginning of year	<u>5,466,229</u>	<u>5,528,084</u>
Net assets, end of year	<u>\$ 6,266,027</u>	<u>\$ 5,466,229</u>

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

In addition to the summarized financial information presented above, the Benefits Trust also reports in the notes to the April 30, 2016 and 2015 audited financial statements, claims payable of \$222,839 and \$209,609, respectively, and claims incurred but not reported of \$298,789 and \$370,387, respectively. The obligation for claims incurred but not reported is not recorded in the Benefits Trust's statements of net assets available for benefits.

**Postretirement Benefits Plan**

The Health and Welfare Plan also offers health care benefits to retired personnel of the participating employees. This creates an implicit rate subsidy, which is considered to be a postretirement benefit. Management of the Organization does not believe the implicit rate subsidy amount to be material to the Organization, especially since the Plan is a multi-employer plan. Accordingly, no balances or transactions of the Postretirement Benefits Plan are recorded in the financial statements of the Organization.

**Total Postretirement Plan Information**

A June 30 measurement date is used for the Postretirement Plan. Significant balances, costs and assumptions are:

	<u>2016</u>	<u>2015</u>
Benefit obligation	\$ (8,237,490)	\$ (6,518,453)
Fair value of Plan assets	<u>-</u>	<u>-</u>
Underfunded status	<u>\$ (8,237,490)</u>	<u>\$ (6,518,453)</u>
Accumulated benefit obligation	<u>\$ (8,237,490)</u>	<u>\$ (6,518,453)</u>

Weighted-average assumptions used to determine benefit obligations at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Discount rate	3.25%	4.00%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine benefit costs at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Discount rate	4.00%	3.75%
Rate of compensation increase	4.00%	4.00%

**Junior Achievement USA**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2016:

2017	\$ 323,381
2018	347,799
2019	378,015
2020	378,303
2021	390,034
2022 to 2026	2,022,245

The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2016 and 2015 was \$1,071,263 and \$945,933, respectively.

**Note 13: Related-party Transactions**

***Activity with JA Worldwide, Inc.***

The Organization and JA Worldwide, Inc. are related parties that are not financially interrelated organizations. Through a contractual agreement, JA Worldwide, Inc. purchased fund raising, accounting and administrative support services from Junior Achievement USA® totaling \$15,817 and \$53,599 during 2016 and 2015, respectively. Through a license fee agreement between JA Worldwide, Inc. and the Organization, JA Worldwide, Inc. assessed a license fee of 1% of prior fiscal year gross revenues of each of the local area offices for their use of logos and trademarks owned by JA Worldwide, Inc. The Organization remits this fee to JA Worldwide, Inc. from the license fees the Organization collects from each local area office. As a result, the Organization recorded an expense of \$1,245,707 and \$1,197,890 during 2016 and 2015, respectively, to JA Worldwide, Inc. The revenue and expense generated from these transactions are recorded in other income and management and general support service expense on the statements of activities.

Any uncollected and unpaid balances related to transactions with JA Worldwide, Inc. are shown net in the due from related party or due to related party line items on the statements of financial position. For 2016, the net uncollected balance was \$5,520. For 2015, the net unpaid balance of \$33,743 includes receivables of approximately \$70,000 and payables of approximately \$105,000.

***Activity with Board Members and Other Related Parties***

Contributions of cash, in-kind gifts and pledges from related parties, including Board members and corporations associated with Board members was \$3,322,894 and \$2,734,028 during the years ended June 30, 2016 and 2015, respectively. Contributions receivable from related parties including Board members and corporations controlled by Board members was \$1,596,000 and \$1,415,000 as of June 30, 2016 and 2015, respectively.

# **Junior Achievement USA**

## **Notes to Financial Statements**

### **June 30, 2016 and 2015**

#### ***Activity with USA Area Offices***

The Organization assists its area offices around the U.S. in establishing their own organizations to administer Junior Achievement programs. The Organization holds funds on behalf of certain of these members for their U.S. expenses. These are included in cash and investments on the statements of financial position and total \$267,909 and \$450,502, respectively, as of June 30, 2016 and total \$622,382 and \$1,114,218, respectively, as of June 30, 2015. During the years ended June 30, 2016 and 2015, the Organization passed through to the area offices \$3,740,775 and \$3,011,072, respectively, of funds resource providers directed to be transferred to them. Because the Organization functions as a conduit, these amounts have not been reflected on the statements of activities. Approximately \$660,942 and \$486,000 of these pass-through funds at June 30, 2016 and 2015, respectively, were committed for distribution but not yet transferred to the area offices. These undistributed amounts reside in accounts payable on the statements of financial position.

Funds held for affiliates include cash and investments, as described in the preceding paragraph, as well as contributions receivable of \$229,309 and \$385,250 as of June 30, 2016 and 2015, respectively.

Substantially all of the Organization's accounts receivable as of June 30, 2016 and 2015, relate to sales of materials to international members and area offices. These related party sales and cost of sales amounted to \$14,443,435 and \$4,894,513, respectively, for 2016 and \$14,009,199 and \$5,330,887, respectively, for 2015.

The Organization also receives license fee income from area offices. These fees totaled \$4,800,207 and \$4,730,134 for the years ended June 30, 2016 and 2015, respectively. The Organization has accounts receivable of \$826,567 and \$840,342 as of June 30, 2016 and 2015, respectively, from area offices.

#### **Note 14: Significant Estimates and Concentrations**

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

##### ***Contribution Concentrations***

Contribution revenue (including in-kind contributions) of \$4,528,902 and \$9,097,106 in 2016 and 2015, comprised approximately 20% and 30%, respectively, of the Organization's total support and revenue. Approximately 20% and 40% of the contribution revenue was received from one donor in 2016 and two donors in 2015, respectively.

##### ***Inventory Obsolescence***

The Organization maintains educational textbooks and products which are held for resale. Each year the Organization estimates an allowance for obsolete inventory, which was \$100,000 at June 30, 2016 and 2015. Actual inventory obsolescence may vary from the allowance accrued.



# Junior Achievement USA

## Notes to Financial Statements

### June 30, 2016 and 2015

#### **Note 15: Contingencies**

The United States Agency for International Development (USAID) has historically been one of the primary federal awarding agencies for the Organization. Included in various grant agreements awarded by USAID was a provision for a Negotiated Indirect Cost Rate Agreement (NICRA). The provision stipulated that the Organization shall be reimbursed for indirect costs on the basis of the predetermined rate published in the agreement, but pending the establishment of a revised, final rate.

During 2014, the Organization was notified by USAID of the final rates effective retroactively for grant periods from July 2004 through June 2010 and the revised, provisional rate effective retroactively for grant periods from July 2010 to present. The Organization believes that a loss, resulting from the recalculated NICRA based on the revised rates, is probable on all applicable open grants and reasonably possible on all applicable closed grants.

As a result, the Organization recorded a contingency liability that is included in accounts payable in the statements of financial position for all applicable open grants as of June 30, 2016 and 2015 of \$139,618. The Organization estimated the loss for all applicable closed grants of approximately \$151,000. As the Organization believes the likelihood of this loss is only reasonably possible (as these grants are pending formal closure with the awarding agency), the Organization has not recorded any liability related to the closed grants. It is reasonably possible that a change in these estimates could occur in the near term.

## **Supplementary Information**

**Junior Achievement USA**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2016 and 2015**

	Program Services					Support Services			Total Expenses
	Field Services	Communications & Marketing	Research & Development	Human Resources	Total Program Services	Management and General	Fundraising	Total Support Services	
<b>June 30, 2016</b>									
Compensation	\$ 2,982,706	\$ 477,233	\$ 4,623,195	\$ 198,847	\$ 8,281,981	\$ 994,235	\$ 666,138	\$ 1,660,373	\$ 9,942,354
Occupancy	71,774	34,063	72,080	33,286	211,203	389,261	104,157	493,418	704,621
Product development	2,942,439	622,816	3,579,967	196,163	7,341,385	2,255,870	210,875	2,466,745	9,808,130
Program support	1,294,526	329,309	1,268,030	68,133	2,959,998	529,923	295,243	825,166	3,785,164
Office services	409,129	64,140	153,812	59,159	686,240	414,109	82,822	496,931	1,183,171
Depreciation and amortization	711,000	13,026	86,567	6,568	817,161	121,196	15,116	136,312	953,473
<b>Total expenses</b>	<b>\$ 8,411,574</b>	<b>\$ 1,540,587</b>	<b>\$ 9,783,651</b>	<b>\$ 562,156</b>	<b>\$ 20,297,968</b>	<b>\$ 4,704,594</b>	<b>\$ 1,374,351</b>	<b>\$ 6,078,945</b>	<b>\$ 26,376,913</b>

	Program Services					Support Services			Total Expenses
	Field Services	Communications & Marketing	Research & Development	Human Resources	Total Program Services	Management and General	Fundraising	Total Support Services	
<b>June 30, 2015</b>									
Compensation	\$ 3,461,493	\$ 437,241	\$ 3,479,712	\$ 182,184	\$ 7,560,630	\$ 938,247	\$ 610,316	\$ 1,548,563	\$ 9,109,193
Occupancy	72,163	36,594	70,517	33,760	213,034	389,842	103,846	493,688	706,722
Product development	2,931,134	600,410	3,290,435	189,105	7,011,084	2,240,900	203,288	2,444,188	9,455,272
Program support	1,233,665	259,437	1,073,188	58,507	2,624,797	476,081	242,387	718,468	3,343,265
Office services	508,126	79,658	205,865	15,782	809,431	546,941	113,057	659,998	1,469,429
Depreciation and amortization	76,772	11,808	1,275,645	6,296	1,370,521	263,783	15,622	279,405	1,649,926
<b>Total expenses</b>	<b>\$ 8,283,353</b>	<b>\$ 1,425,148</b>	<b>\$ 9,395,362</b>	<b>\$ 485,634</b>	<b>\$ 19,589,497</b>	<b>\$ 4,855,794</b>	<b>\$ 1,288,516</b>	<b>\$ 6,144,310</b>	<b>\$ 25,733,807</b>