



FINANCIAL STATEMENTS

Year Ended June 30, 2019

with

Independent Auditors' Report

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

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Independent Auditors' Report

The Board of Directors
Junior Achievement of Oregon & SW Washington, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Achievement of Oregon & SW Washington, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Oregon & SW Washington, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in *Note 2* to the financial statements, the Organization has adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and our report dated October 11, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hellman, Seibert & Schmitt, P.C.

Lake Oswego, Oregon
September 24, 2019

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Statement of Financial Position

June 30, 2019 <i>(With Comparative Amounts for 2018)</i>	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 218,038	\$ 430,944
Accounts receivable	88,525	40,213
Contributions receivable <i>(Note 4)</i>	284,907	264,374
Prepaid expenses	20,793	4,946
Inventory	24,944	45,609
Total current assets	637,207	786,086
Long-term assets:		
Investments <i>(Notes 5 and 17)</i>	775,898	229,223
Contributions receivable <i>(Note 4)</i>	62,226	32,136
Beneficial interest in assets held by Oregon Community Foundation <i>(Notes 6 and 17)</i>	88,871	83,626
Land, building, and equipment - net <i>(Note 7)</i>	2,299,122	2,348,894
Total long-term assets	3,226,117	2,693,879
Total assets	\$ 3,863,324	\$ 3,479,965
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other liabilities	\$ 43,013	\$ 63,935
Accrued payroll and compensated absences	12,312	7,374
Deferred revenue	62,513	62,828
Scholarships payable	500	8,000
Total current liabilities	118,338	142,137
Commitments <i>(Notes 8 and 9)</i>		
Net assets:		
Without donor restrictions:		
Undesignated	2,798,074	2,300,751
Board designated for operating reserve <i>(Note 3)</i>	856,031	814,111
Total unrestricted	3,654,105	3,114,862
With donor restrictions <i>(Note 10)</i>	90,881	222,966
Total net assets	3,744,986	3,337,828
Total liabilities and net assets	\$ 3,863,324	\$ 3,479,965

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

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Statement of Activities

Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Without Donor Restrictions			With Donor Restrictions	Total	
	Undesignated	Board Designated	Total		2019	2018
Operating revenues, gains, and other support:						
Contributions:						
Corporate	\$ 460,794	\$ -	\$ 460,794	\$ 40,800	\$ 501,594	\$ 592,638
Individuals	559,841	-	559,841	-	559,841	58,030
Foundations	126,542	10,000	136,542	-	136,542	57,802
Total contributions	1,147,177	10,000	1,157,177	40,800	1,197,977	708,470
In-kind contributions (Note 15)	83,733	-	83,733	-	83,733	73,695
Special events:						
Revenues	276,567	-	276,567	-	276,567	370,003
Expenses	(114,464)	-	(114,464)	-	(114,464)	(108,810)
Net special events	162,103	-	162,103	-	162,103	261,193
Realized and unrealized gain on investments	-	10,156	10,156	-	10,156	15,634
Interest and dividend income	-	16,519	16,519	-	16,519	5,337
Net increase in beneficial interest in assets held by Oregon Community Foundation (Note 17)	-	5,245	5,245	-	5,245	7,237
JA BizTown student fees	224,986	-	224,986	-	224,986	211,084
JA BizTown summer camp fees	111,289	-	111,289	-	111,289	109,549
JA Finance Park student fees	42,852	-	42,852	-	42,852	51,692
Contract revenue, net (Note 13)	88,233	-	88,233	-	88,233	68,884
Other income	12,391	-	12,391	-	12,391	40,619
Net assets released from restrictions (Note 10)	156,576	-	156,576	(156,576)	-	-
Net operating revenues, gains, and other support (carried forward)	2,029,340	41,920	2,071,260	(115,776)	1,955,484	1,553,394

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

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Statement of Activities - Continued

Year Ended June 30, 2019 *(With Comparative Totals for 2018)*

	Without Donor Restrictions			With Donor Restrictions	Total	
	Undesignated	Board Designated	Total		2019	2018
Net operating revenues, gains, and other support (brought forward)	\$ 2,029,340	\$ 41,920	\$ 2,071,260	\$ (115,776)	\$ 1,955,484	\$ 1,553,394
Operating expenses						
Program services	1,167,622	-	1,167,622	-	1,167,622	1,272,939
Supporting services:						
Management and general	112,686	-	112,686	-	112,686	142,942
Fundraising	195,381	-	195,381	-	195,381	226,582
Total operating expenses	1,475,689	-	1,475,689	-	1,475,689	1,642,463
Increase (decrease) in net assets from operations	553,651	41,920	595,571	(115,776)	479,795	(89,069)
Non-operating items (Note 16) :						
Depreciation and amortization	(47,265)	-	(47,265)	-	(47,265)	(46,760)
Capital campaign - BizTown 2.0	(25,372)	-	(25,372)	-	(25,372)	(30,000)
Net assets released from restrictions (Note 10)	16,309	-	16,309	(16,309)	-	-
Total non-operating items	(56,328)	-	(56,328)	(16,309)	(72,637)	(76,760)
Increase (decrease) in net assets	497,323	41,920	539,243	(132,085)	407,158	(165,829)
Net assets as reclassified, beginning of year (Note 2)	2,300,751	814,111	3,114,862	222,966	3,337,828	3,503,657
Net assets, end of year	\$ 2,798,074	\$ 856,031	\$ 3,654,105	\$ 90,881	\$ 3,744,986	\$ 3,337,828

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

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Statement of Functional Expenses

Year Ended June 30, 2019 (With Comparative Totals for 2018)

	Program Services	Management and General	Fundraising	Total	
				2019	2018
Operating expenses:					
Salaries and wages	\$ 481,907	\$ 57,829	\$ 102,806	\$ 642,542	\$ 667,097
Payroll taxes	42,401	5,088	9,046	56,535	59,640
Employee insurance (Note 12)	37,325	4,479	7,962	49,766	56,755
Pension/annuity (Note 11)	50,386	6,046	10,749	67,181	96,707
General insurance	8,885	1,777	1,186	11,848	11,632
Insurance - in-school programs	12,774	-	-	12,774	10,497
Outside services	16,316	-	1,664	17,980	11,420
Rent	17,669	2,208	-	19,877	20,506
Equipment expense	8,156	741	5,931	14,828	12,700
Office and organization maintenance	36,816	10,519	5,259	52,594	52,030
Computer software	15,764	5,255	5,254	26,273	36,511
Stationery supplies	4,841	1,037	1,038	6,916	10,047
Simulation Day supplies - BizTown	23,015	-	-	23,015	20,317
Stationery supplies - Finance Park	5,328	-	-	5,328	5,507
Subscriptions and dues	1,534	-	1,535	3,069	2,792
Postage and delivery	15,213	951	2,853	19,017	17,326
Telephone	9,338	667	3,335	13,340	12,551
Utilities	19,360	6,914	1,383	27,657	29,981
Professional fees	13,011	4,337	4,337	21,685	23,049
Student fees paid to JA USA (Note 13)	24,591	-	-	24,591	22,198
Recruitment and relocation expenses	1,170	69	137	1,376	744
Bad debt expense	-	-	8,404	8,404	11,839
Participation fees paid to JA USA (Note 13)	48,756	-	-	48,756	52,386
Scholarship expense	6,072	-	-	6,072	15,158
Staff training	8,360	1,393	4,181	13,934	26,909
Travel and meals	18,397	294	5,507	24,198	21,296
Volunteer training, recruiting, and recognition	3,606	-	220	3,826	3,412
Public relations	10,629	-	4,556	15,185	16,487
Program materials (Note 13)	160,415	-	-	160,415	152,534
General fundraising	-	-	495	495	602
Banking and office services	2,781	879	5,273	8,933	8,273
Summer camp expense	17,515	-	-	17,515	30,172
Miscellaneous expense	3,949	(67)	-	3,882	6,176
Transportation	23,832	-	-	23,832	20,864
Board expenses	1,418	1,376	1,376	4,170	3,855
Total operating expenses before depreciation and amortization (carried forward)	1,151,530	111,792	194,487	1,457,809	1,549,970

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

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2019 *(With Comparative Totals for 2018)*

	Program Services	Management and General	Fundraising	Total	
				2019	2018
Total operating expenses before depreciation and amortization (brought forward)	\$ 1,151,530	\$ 111,792	\$ 194,487	\$ 1,457,809	\$ 1,549,970
Depreciation and amortization	16,092	894	894	17,880	92,493
Total operating expenses	1,167,622	112,686	195,381	1,475,689	1,642,463
Non-operating expenses:					
Depreciation and amortization	42,539	2,363	2,363	47,265	46,760
Capital campaign - BizTown 2.0	-	-	25,372	25,372	30,000
Total non-operating expenses	42,539	2,363	27,735	72,637	76,760
Total expenses	\$ 1,210,161	\$ 115,049	\$ 223,116	\$ 1,548,326	\$ 1,719,223

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

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Statement of Cash Flows

Year Ended June 30, 2019 <i>(With Comparative Totals for 2018)</i>	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 407,158	\$ (165,829)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	65,145	139,253
Realized and unrealized gain on investments	(10,156)	(15,634)
Net increase in beneficial interest in assets held by Oregon Community Foundation	(5,245)	(7,237)
Loss on disposal of equipment	-	2,832
Net changes in:		
Contributions receivable	(50,623)	47,381
Prepaid expenses	(15,847)	6,020
Accounts receivable	(48,312)	(91)
Inventory	20,665	(20,990)
Accounts payable and other liabilities	(20,922)	1,863
Accrued payroll and compensated absences	4,938	(1,241)
Deferred revenue	(315)	(14,761)
Scholarships payable	(7,500)	(5,000)
Net cash provided (used) by operating activities	338,986	(33,434)
Cash flows from investing activities:		
Purchase of property and equipment	(15,373)	(32,415)
Proceeds from sale of investments	-	50,000
Purchases of investments	(536,519)	(235,337)
Distributions received from beneficial interest in assets held by Oregon Community Foundation	-	3,212
Net cash used by investing activities	(551,892)	(214,540)
Net decrease in cash and cash equivalents	(212,906)	(247,974)
Cash and cash equivalents, beginning of year	430,944	678,918
Cash and cash equivalents, end of year	\$ 218,038	\$ 430,944

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

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements

1. Organization

Junior Achievement of Oregon & SW Washington, Inc. (the Organization) is a nonprofit organization founded in 1950 and affiliated with Junior Achievement USA. The Organization's mission is to educate and inspire young people to succeed in a global economy. The Organization operates in schools throughout Oregon and Southwest Washington and relies on contributions from businesses, individuals, and foundations in those geographic regions for its operating support.

During the year ended June 30, 2019, the Organization incurred program service expenses in the following major areas while serving 44,908 area students:

Elementary School In-Class Programs - The elementary school programs are designed to help kindergarten through fifth-grade students learn about their economic society. Each theme builds on the previous one and stresses the relationship between school and future success.

JA BizTown - JA BizTown is an experiential simulation that helps fifth and sixth grade students become productive citizens in an 8,500 square foot replica of a real American city. Designed to supplement the Organization's foundational in-school programs, JA BizTown contains all the infrastructure of an actual city; multiple businesses, a city hall, etc. The simulation engages students in the American free enterprise system by allowing them to assume hands-on roles and gain real-life experiences in running businesses, being civic leaders, and practicing personal financial decision making.

Middle School In-Class Programs - The middle grade programs stress the importance of an education and staying in school while introducing students to economic concepts and information about the world of work and financial literacy.

JA Finance Park - JA Finance Park is a financial literacy simulation designed to engage middle and high school students across Oregon and Southwest Washington in the world of personal finance through an interactive, hands-on experience. The program blends teacher-led classroom instruction with a culminating simulation day that delivers a high-tech, high-touch educational experience. The basic goal for participants is to develop a balanced household budget based around a fictional adult identity they receive that includes a fixed income and family situation. JA Financial Park includes 16 interactive business storefronts that participants use to gather information and make budgeting decisions.

High School In-Class Programs - The high school programs strive to help students develop the knowledge, skills, and attitudes needed to become productive workers as well as leaders in business and society.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader:

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Among other areas, estimates are used in the calculation of depreciation expense and any allowance for uncollectible receivables.

Contributions - Contributions, which are the Organization's primary source of revenue, include unconditional promises to give (contributions receivable), and are recognized as revenue in the period received. Management records an estimated allowance for uncollectible contributions receivable based on the size and nature of the associated contributions. Conditional contributions are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

In-Kind Contributions - Donated services received that create or enhance a nonfinancial asset, or require specialized skills the Organization would have purchased if not donated, are recognized in the statement of activities.

Numerous volunteers have donated significant amounts of time to teach certain Junior Achievement programs. Although no amounts have been reflected in the accompanying financial statements, 5,744 volunteers donated a total of 48,758 hours for programs for the year ended June 30, 2019.

In-kind contributions of supplies and other materials are recorded where there is an objective basis on which to value these contributions and where the contributions are an essential part of the Organization's activities.

Contributions of Long-Lived Assets - Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without restrictions class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the net assets with restrictions class. Unless donor stipulations limit the use of assets for a period of time or a particular purpose, donor restrictions, if any, are considered to have expired when the assets are placed into service.

Cash Equivalents - For purposes of the financial statements, the Organization considers all highly liquid investments having initial maturities of three months or less to be cash equivalents.

Investments - Investments are reported at fair value based on quoted market prices and consist of mutual funds.

Accounts Receivable - Accounts receivable represents amounts due from various schools for participation in the JA BizTown program and various other receivables. Based on a specific review of those receivables, management does not believe an allowance for uncollectible accounts is necessary. Once reasonable collection efforts are exhausted, management will write off specific receivables considered to be uncollectible. At June 30, 2019, the Organization had accounts receivable outstanding greater than 90 days of \$63,080.

Inventory - Inventory, which consists primarily of educational materials that are used in classrooms and during JA BizTown, is carried at the lower of cost (first-in, first-out) or net realizable value.

Land, Building, and Equipment - Land, building, and equipment are carried at cost when purchased, and at estimated fair value when acquired by gift. Depreciation and amortization are generally provided on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years for buildings and building improvements and 3 to 7 years for furniture, equipment, and software. The Organization capitalizes all purchases over \$500.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Deferred Revenue - Deferred revenue consists of advance payments received for JA BizTown prior to when the specific program takes place.

Revenue Recognition - All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. JA BizTown and JA Finance Park student fees are recorded as earned.

Functional Allocation of Expenses – The costs of providing the Organization’s various program services and other activities have been allocated among the programs and supporting services benefitted. The statement of functional expenses presents the natural classification detail of expense by function.

The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, which are allocated on the basis of time and effort.

Advertising Expenses - Advertising and promotional costs are charged to expense as they are incurred. For the years ended June 30, 2019 and 2018, advertising expenses totaled \$7,685 and \$6,487, respectively.

Income Taxes - The Organization is exempt from Federal and state income taxes under 501(c)(3) of the Internal Revenue Code and similar state provisions. Accordingly, no income tax provision is recorded in the accompanying financial statements.

Under GAAP, the recognition of an estimated tax liability and related disclosure is required for tax positions taken by the Organization that, under an examination by a taxing authority, may not be sustained. Management does not believe the Organization has any significant tax positions that under examination would not be sustained and, accordingly, has not recorded an estimated liability. The Organization did not record any penalty or interest related to its tax positions and, if any were recorded, those amounts would be included in management and general expenses.

Summarized Financial Information for 2018 - The accompanying financial information as of and for the year ended **June 30, 2018**, is presented for comparative purposes only and is not intended to represent a complete financial statement presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

New Accounting Standards - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 during the year ended June 30, 2019, and has adjusted the presentation in these financial statements. The ASU has been applied retrospectively to all periods presented.

The new pronouncement requires that donor restrictions related to the acquisition of long-lived assets be released from restriction when the related long-lived assets are placed in service, rather than releasing donor restrictions over the estimated useful life of the asset, unless otherwise stipulated by the donor. Accordingly, the Organization reclassified net assets with donor restrictions of \$791,033 to net assets without donor restrictions at June 30, 2018, as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions
Net assets at June 30, 2018 as previously reported	\$ 2,323,829	\$ 1,013,999
Reclassification required by ASU 2016-14	<u>791,033</u>	<u>(791,033)</u>
Net assets at June 30, 2018 as reclassified	<u>\$ 3,114,862</u>	<u>\$ 222,966</u>

Reclassifications - Certain additional reclassifications have been made to the 2018 information to conform to the 2019 presentation.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

3. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	2019	2018
Cash and cash equivalents	\$ 218,038	\$ 430,944
Accounts receivable	88,525	40,213
Contributions receivable	<u>284,907</u>	<u>264,374</u>
Total financial assets available within one year	591,470	735,531
Less amounts unavailable for general expenditure within one year due to donor-stipulated restrictions	<u>(90,881)</u>	<u>(222,966)</u>
	<u><u>\$ 500,589</u></u>	<u><u>\$ 512,565</u></u>

The Organization's Board designated funds are a component of net assets without donor restrictions. In order to provide for sufficient funding of operational costs associated with execution of the Organization's ongoing strategic initiatives, the Board designated \$856,031 and \$814,111 of net assets without donor restrictions at June 30, 2019 and 2018, respectively, as an operational reserve to be made available to management in the event of an immediate liquidity need.

In addition, the Organization could also draw upon \$500,000 of an available line of credit (*Note 8*) in the event of an unanticipated liquidity need.

As part of the Organization's liquidity management, the Organization has a practice to structure its financial assets to available as general expenditures, liabilities, and other obligations come due.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

4. Contributions Receivable

Contributions receivable are summarized as follows at June 30:

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	\$ 284,907	\$ 264,374
One year to five years	<u>70,000</u>	<u>39,000</u>
Gross contributions receivable	354,907	303,374
Less discount to present value (3 percent discount rate)	<u>(2,774)</u>	<u>(1,864)</u>
Net present value	352,133	301,510
Less allowance for uncollectible amounts	<u>(5,000)</u>	<u>(5,000)</u>
	347,133	296,510
Less current portion	<u>(284,907)</u>	<u>(264,374)</u>
Long-term portion	<u><u>\$ 62,226</u></u>	<u><u>\$ 32,136</u></u>

5. Investments

Investments held by the Organization are summarized as follows at June 30:

	2019	2018
Domestic equity mutual funds	\$ 218,744	\$ 134,821
International equity mutual funds	50,754	47,155
Fixed income mutual funds	127,729	47,095
Money market mutual funds	<u>378,671</u>	<u>152</u>
	<u><u>\$ 775,898</u></u>	<u><u>\$ 229,223</u></u>

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

6. Beneficial Interest in Assets Held by Oregon Community Foundation

The Organization has an agreement with Oregon Community Foundation (OCF) that permits annual distributions equal to a specified percentage of the fair value of fund assets. Moreover, additional distributions, even to the extent of fund depletion, may be requested by the Organization's Board of Directors, subject to the discretion of the OCF Board of Trustees. During the year ended June 30, 2019, the Organization did not receive any distributions from OCF.

At June 30, 2019 and 2018, the fair value of the Organizations' beneficial interest in assets held by OCF totaled \$88,871 and \$83,626, respectively. Investments held at OCF are valued at estimated fair value (*Note 17*), and presented as a component of the Organization's Board designated operating reserve in the accompanying statement of financial position.

7. Land, Building, and Equipment

Land, building, and equipment are summarized as follows at June 30:

	2019	2018
Land and land improvements	\$ 1,174,588	\$ 1,174,588
Building	632,470	632,470
Building improvements	1,022,641	1,019,641
Furniture and equipment	1,050,043	1,037,670
Software and applications	<u>106,334</u>	<u>106,334</u>
	3,986,076	3,970,703
Less accumulated depreciation and amortization	<u>(1,686,954)</u>	<u>(1,621,809)</u>
	<u><u>\$ 2,299,122</u></u>	<u><u>\$ 2,348,894</u></u>

8. Line of Credit

The Organization has available a \$500,000 revolving line of credit with U.S. Bank N.A. Interest is payable at the bank's prime rate plus 0.50 percent (6.0 percent at June 30, 2019). The line is secured by certain real property and is due on demand. There were no borrowings outstanding at June 30, 2019. The line matures on December 11, 2019.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

9. Commitments

At June 30, 2019, the Organization had entered into an operating lease agreement for certain office equipment through July 2024. Future minimum lease payments under this operating lease are as follows:

Years Ending June 30,	Amount
2020	\$ 25,927
2021	28,284
2022	28,284
2023	28,284
2024	28,284
Thereafter	<u>2,357</u>
	<u><u>\$ 141,420</u></u>

10. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions are available for the following purposes at June 30:

	2019	2018
JA BizTown	\$ 51,000	\$ 162,657
JA Finance Park	<u>39,881</u>	<u>60,309</u>
	<u><u>\$ 90,881</u></u>	<u><u>\$ 222,966</u></u>

During the year ended June 30, 2019, net assets of \$172,885 were released from donor restrictions by either incurring expenses related to the restricted purposes specified by donors or by the passage of time.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

11. Multi-Employer Pension Plan (Terminated Effective June 30, 2019)

Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by the Junior Achievement USA (JA USA) and covered all full-time employees of the Organization. The Plan is accounted for like a multi-employer plan. Benefits were determined based on years of service and salary history. The Plan's assets are invested in various investment funds. Prior to June 30, 2019, the Organization was required to fund the Plan, as determined by JA USA's Board of Directors, based on an annual actuarial valuation. Prior to June 30, 2019, the Organization made contributions equal to 16.75% of plan participants' eligible compensation. The Organization recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization.

Effective June 30, 2019, the Board of Directors of JA USA approved the termination of the Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan shall liquidate and distribute each participant's accrued benefits as soon as administratively practicable. The Plan requires the Organization to remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied, and is thereby required to make contributions equal to 13.25 percent of participants' eligible compensation.

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 some of its multi-employer 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 the Plan for the annual period ended June 30, 2019, 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 2019 and 2018 is for the years ended June 30, 2019 and 2018, respectively. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

Pension Fund	EIN/Pension Plan Number	Funded Status		Contributions by the Organization	
		2019	2018	2019	2018
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN33	108%	92%	\$ 67,181	\$ 96,707

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

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.

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.

The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2019 **and** 2018, was \$49,766 and \$56,755, respectively.

13. Related-Party Transactions

Each year the Organization supports the program services provided by Junior Achievement USA, its national affiliate, through the payment of service fees, which are based on cash receipts. This is classified as participation expense in the accompanying financial statements. During the years ended June 30, 2019 **and** 2018, the Organization incurred participation expense of \$48,756 and \$52,386, respectively.

For the years ended June 30, 2019 **and** 2018, the Organization purchased program materials from Junior Achievement USA totaling \$100,183 and \$115,185, respectively. For the years ended June 30, 2019 **and** 2018, the Organization paid student fees to Junior Achievement USA of \$24,591 and \$22,198, respectively.

During the years ended June 30, 2019 and 2018, the Organization received contributions from members of the Board of Directors of \$18,441 and \$20,434, respectively.

The Organization contracts with certain regional affiliates for the rental of JA Finance Park. During the years ended June 30, 2019 **and** 2018, the Organization recorded contract revenue from Junior Achievement of Washington of \$58,068 and \$57,193, respectively. During the year ended June 30, 2019, the Organization recorded contract revenue of \$51,617 from Junior Achievement of Northern California.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

14. Financial Instruments with Concentrations of Risk

Financial instruments that potentially subject the Organization to concentrations of risk consist primarily of cash and cash equivalents and investments. On occasion throughout the year, cash and cash equivalent balances exceeded amounts insured by the Federal Deposit Insurance Corporation. Investments are managed via the Organization's investment policies. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the financial statements.

15. In-Kind Contributions

The Organization received the following in-kind contributions during the years ended June 30:

	2019	2018
Donated supplies and materials	<u>\$ 83,733</u>	<u>\$ 73,695</u>

16. Non-Operating Items

Certain transactions resulting from the JA BizTown 2.0 Project have been excluded from normal operations on the statement of activities. Depreciation and amortization expense, certain project expenses incurred, as well as other revenues and expenses that are not deemed to be a part of ongoing operations have been reported as non-operating items on the statement of activities.

17. Fair Value Measurements

The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

The three levels of the fair value hierarchy under the valuation methodologies used for assets are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices observable for the asset or liability.
- Inputs 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: Fair value based on significant unobservable inputs.

The asset'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.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of June 30:

2019	Level 1	Level 3	Total
Investments:			
Domestic equity mutual funds	\$ 218,744	\$ -	\$ 218,744
International equity mutual funds	50,754	-	50,754
Fixed income mutual funds	127,729	-	127,729
Money market mutual funds	<u>378,671</u>	<u>-</u>	<u>378,671</u>
Total investments	775,898	-	775,898
Beneficial interest in assets held by OCF	<u>-</u>	<u>88,871</u>	<u>88,871</u>
	<u>\$ 775,898</u>	<u>\$ 88,871</u>	<u>\$ 864,769</u>

2018	Level 1	Level 3	Total
Investments:			
Domestic equity mutual funds	\$ 134,821	\$ -	\$ 134,821
International equity mutual funds	47,155	-	47,155
Fixed income mutual funds	47,095	-	47,095
Money market mutual funds	<u>152</u>	<u>-</u>	<u>152</u>
Total investments	229,223	-	229,223
Beneficial interest in assets held by OCF	<u>-</u>	<u>83,626</u>	<u>83,626</u>
	<u>\$ 229,223</u>	<u>\$ 83,626</u>	<u>\$ 312,849</u>

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the net asset value of shares held by the Organization at year end.

Beneficial interest in assets held by OCF: Assets held at OCF represent the Organization's share of a pooled investment portfolio managed by OCF. The Organization's share of the pooled investment portfolio is not actively traded, and significant other observable inputs are not available. However, as described in *Note 6*, the underlying investments of OCF are measured by the management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. As such, this asset is classified as Level 3.

JUNIOR ACHIEVEMENT OF OREGON & SW WASHINGTON, INC.

Notes to Financial Statements - Continued

17. Fair Value Measurements - Continued

A summary of the changes in fair value of Level 3 assets for the year ended June 30, 2019, is as follows:

Balance, beginning of year	\$ 83,626
Realized and unrealized gain	5,349
Interest and dividends	623
Fees paid	<u>(727)</u>
Balance, end of year	<u><u>\$ 88,871</u></u>

18. Subsequent Events

Management has evaluated subsequent events through September 24, 2019, the date the financial statements were available for issue.