

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2018 AND 2017**

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Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Junior Achievement of Middle Tennessee, Inc.

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

Management's Responsibility for the Financial Statements

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

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Middle Tennessee, Inc., as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edmondson, Betzler & Dame, PLLC

September 11, 2018

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS			
		2018	2017
CURRENT ASSETS			
Cash and cash equivalents		\$ 1,031,715	\$ 821,981
Contributions receivable currently due, net		472,671	496,869
Prepaid expenses and other current assets		18,346	17,010
		<u>1,522,732</u>	<u>1,335,860</u>
Total current assets			
		531,521	185,941
Non-current contributions receivable, net		612,616	190,351
Property and equipment, net		<u>1,144,137</u>	<u>376,292</u>
Total long term assets			
		<u>\$ 2,666,869</u>	<u>\$ 1,712,152</u>
TOTAL ASSETS			
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$ 82,660	\$ 228,038
Deferred revenue		109,086	187,100
Current portion of note payable		4,984	4,169
		<u>196,730</u>	<u>419,307</u>
Total current liabilities			
LONG TERM LIABILITIES			
Note payable, net of current portion		20,535	-
		<u>20,535</u>	<u>-</u>
Total long term liabilities			
		<u>217,265</u>	<u>419,307</u>
Total liabilities			
NET ASSETS			
Unrestricted net assets:			
Designated by the Board		-	24,164
Undesignated		1,102,697	640,803
		<u>1,102,697</u>	<u>664,967</u>
Total unrestricted net assets			
		1,346,907	627,878
Temporarily restricted net assets		<u>2,449,604</u>	<u>1,292,845</u>
Total net assets			
		<u>\$ 2,666,869</u>	<u>\$ 1,712,152</u>
TOTAL LIABILITIES AND NET ASSETS			

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

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support						
Contributions:						
Corporations	\$ 115,747	\$ 892,376	\$ 1,008,123	\$ 117,606	\$ 115,190	\$ 232,796
Individuals	65,554	248,691	314,245	93,162	519,265	612,427
Foundations	334,810	216,000	550,810	292,681	74,617	367,298
Total contributions	516,111	1,357,067	1,873,178	503,449	709,072	1,212,521
Special events	617,665	-	617,665	600,215	-	600,215
Program fees	171,099	-	171,099	196,174	-	196,174
In-kind contributions	38,370	-	38,370	109,508	-	109,508
Gain on sale of fixed assets	15,165	-	15,165	-	-	-
Other	9,998	-	9,998	12,408	-	12,408
Interest	5,400	3,275	8,675	5,200	904	6,104
Merchandise sales	5,879	-	5,879	4,410	-	4,410
Net assets released from restrictions	641,313	(641,313)	-	481,922	(481,922)	-
Total revenues and other support	2,021,000	719,029	2,740,029	1,913,286	228,054	2,141,340
Expenses						
Functional expenses:						
Program services	1,023,529	-	1,023,529	961,584	-	961,584
Management and general	182,704	-	182,704	290,172	-	290,172
Fundraising	191,100	-	191,100	107,947	-	107,947
Total functional expenses	1,397,333	-	1,397,333	1,359,703	-	1,359,703
Special events	138,269	-	138,269	152,276	-	152,276
Franchise and licensee fees	47,668	-	47,668	49,228	-	49,228
Total expenses	1,583,270	-	1,583,270	1,561,207	-	1,561,207
INCREASE IN NET ASSETS	437,730	719,029	1,156,759	352,079	228,054	580,133
NET ASSETS, BEGINNING OF THE YEAR	664,967	627,878	1,292,845	312,888	399,824	712,712
NET ASSETS, END OF THE YEAR	<u>\$ 1,102,697</u>	<u>\$ 1,346,907</u>	<u>\$ 2,449,604</u>	<u>\$ 664,967</u>	<u>\$ 627,878</u>	<u>\$ 1,292,845</u>

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

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	Program Services	Management and General	Fund Raising	Totals	
				2018	2017
Salaries and benefits	\$ 369,624	\$ 66,084	\$ 116,126	\$ 551,834	\$ 493,048
Rent	158,071	8,814	13,194	180,079	173,969
Program materials	152,578	-	-	152,578	128,629
Repairs and maintenance	71,615	5,923	7,044	84,582	92,607
Retirement benefits	40,749	10,708	11,985	63,442	57,128
Employee insurance	41,418	5,416	7,698	54,532	40,406
Payroll taxes	27,409	5,034	9,300	41,743	36,911
Utilities	31,413	1,780	2,136	35,329	36,402
Telephone	8,903	1,869	4,158	14,930	14,471
Student fees	14,544	-	-	14,544	13,602
Staff training	6,310	1,840	4,156	12,306	9,655
Subscriptions	634	8,820	305	9,759	7,780
Business development	153	-	9,055	9,208	6,806
Program insurance	7,924	-	-	7,924	7,537
Professional fees	-	7,900	-	7,900	7,650
Outside services	5,501	589	721	6,811	5,561
Business insurance	1,604	1,516	410	3,530	6,454
Travel	17	-	2,698	2,715	1,452
Volunteer training	2,666	-	-	2,666	4,379
Office supplies	1,996	251	11	2,258	3,463
Marketing	-	-	2,045	2,045	2,049
Public relations	221	799	-	1,020	494
Interest	-	775	-	775	270
Postage	204	213	58	475	1,053
Bad debts expense	-	-	-	-	20,000
Computer expense	-	-	-	-	9,809
 Total functional expenses before depreciation and other items	 943,554	 128,331	 191,100	 1,262,985	 1,181,585
 Depreciation	 59,272	 -	 -	 59,272	 13,941
In-kind items	20,703	17,667	-	38,370	88,341
Costs related to capital campaign	-	36,706	-	36,706	75,836
 Total functional expenses	 <u>\$ 1,023,529</u>	 <u>\$ 182,704</u>	 <u>\$ 191,100</u>	 <u>\$ 1,397,333</u>	 <u>\$ 1,359,703</u>

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,156,759	\$ 580,133
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	59,272	13,941
Gain on sale of fixed asset	(15,165)	-
Increase in contributions receivable, net	(321,382)	(179,828)
Increase in other current assets	(1,336)	(5,822)
Increase (decrease) in accounts payable and accrued expenses	(145,378)	70,391
Increase (decrease) in deferred revenue	(78,014)	27,150
Net cash provided by operating activities	<u>654,756</u>	<u>505,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed asset	17,500	-
Purchases of property and equipment	(483,872)	(29,585)
Net cash used in investing activities	<u>(466,372)</u>	<u>(29,585)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of note payable	27,486	-
Principal payments on notes payable	(6,136)	(4,005)
Net cash provided by (used in) financing activities	<u>21,350</u>	<u>(4,005)</u>
Increase in cash and cash equivalents	209,734	472,375
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>821,981</u>	<u>349,606</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 1,031,715</u></u>	<u><u>\$ 821,981</u></u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
CASH PAID DURING THE YEAR FOR INTEREST	<u><u>\$ 775</u></u>	<u><u>\$ 269</u></u>

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

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Junior Achievement of Middle Tennessee, Inc. (the "Organization") was chartered as a not-for-profit corporation on August 31, 1957, and organized as a franchise of Junior Achievement, Inc. Since 1919, Junior Achievement, Inc. has been educating and inspiring young people to value free enterprise, understand business and economics, and improve the quality of their lives. Through partnerships and collaborations between businesses, educators, and other not-for-profit organizations, approximately 36,735 students in kindergarten through twelfth grade, in 198 schools throughout middle Tennessee, benefited from the economic education programs. The programs also meet the state's curriculum requirements for economics, with the aid of 2,822 volunteer role models from business, industry and the community. Junior Achievement's funding support comes primarily from businesses, foundations, special events and individuals.

In addition to providing in-school classroom programs the Organization operates JA BizTown. During the JA BizTown on-site experience, students learn what it takes to create a business, operate a budget, advertise and sell products, supervise employees, hold elected office, as well as personally earn and manage money.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual method of accounting.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a 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.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions receivable

Contributions receivable, less an allowance for uncollectible amounts, are recognized as revenues in the period promised, and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Amounts expected to be collected within the next fiscal year are classified as current assets at the face value of the receivable. Amounts which are not collectible within the next fiscal year are recorded as non-current contributions receivable, using the estimated present value of the future cash flows.

Donated Material and Services

Contributions of donated material that are useable for program services, fundraising, and support of management and general functions are recorded at their estimated fair values in the period received. Contributions of donated services requiring specialized skills and which would typically need to be purchased if not donated, are recorded at their estimated fair values in the period received.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. As of June 30, 2018, the Organization has no donated property or equipment which is restricted.

The fair value of donated volunteer services is not reflected in the accompanying financial statements since it is not practicable to objectively determine the fair value of the service received. However, management estimates that a substantial number of volunteers have donated significant amounts of their time as instructors, chapter advisors and as fundraisers.

Cash and Cash Equivalents

Cash includes amounts on hand and on deposit in financial institutions. Cash equivalents include highly liquid investments with an original maturity of three months or less.

Deferred Revenue

Deferred revenue represents amounts collected but not earned as of June 30. If activity is conducted over a fiscal year end, deferred revenue is recorded for all amounts related to activities predominately conducted in the next fiscal year.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost if purchased and at estimated fair value if donated, less accumulated depreciation. Significant additions and improvements are capitalized. Repairs and maintenance are charged to expense as incurred. Depreciation is provided on a straight-line basis over the following estimated useful lives:

	Years
Tenant improvements	10
Furniture and equipment	3 - 7
Automobile	5

Income Taxes

Junior Achievement is a not-for-profit service organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Organization has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2018, the Organization has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Organization has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed.

Functional Allocation

Allocation of costs on a functional basis is dependent upon management's estimate of the percentage of staff time incurred in conjunction with each activity and the nature of the expense.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications had no effect on the results of operations as previously reported.

Events Occurring After Reporting Date

Junior Achievement of Middle Tennessee, Inc. has evaluated events and transactions that occurred after June 30, 2018, through the date of the issued financial statements. During the period there were no material recognizable subsequent events that required recognition in the disclosures to the June 30, 2018 financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in banks insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured balance. At June 30, 2018 and 2017, the Organization had \$793,669 and \$591,147 respectively that was uninsured by the Federal Deposit Insurance Corporation.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2018 and 2017 are summarized as follows:

	2018	2017
JA Finance Park pledges	\$ 789,075	\$ -
JA BizTown program	200,000	325,000
Other	103,127	156,893
JA BizTown improvements	-	250,000
	<u>1,092,202</u>	<u>731,893</u>
Less discounts to net present value	(57,507)	(14,059)
Less allowance for uncollectible amounts	<u>(30,503)</u>	<u>(35,024)</u>
Total	<u><u>\$ 1,004,192</u></u>	<u><u>\$ 682,810</u></u>

The net amounts are classified in the statements of financial position as follows:

	2018	2017
Current portion	\$ 472,671	\$ 496,869
Non-current portion	<u>531,521</u>	<u>185,941</u>
Total	<u><u>\$ 1,004,192</u></u>	<u><u>\$ 682,810</u></u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 3 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

The current portion represents the face value of contributions collectible within the next fiscal year. The non-current portion represents the present value of amounts due after one year. The non-current portion was discounted using a 4% annual interest rate to estimate present value. This rate is used in all subsequent periods to update the estimated present value of this pledge as follows:

	2018	2017
Due in one to five years	\$ 408,471	\$ 185,941
Due in six to ten years	<u>123,050</u>	<u>-</u>
Total non-current portion	<u><u>\$ 531,521</u></u>	<u><u>\$ 185,941</u></u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017
Tenant improvements	\$ 1,893,057	\$ 1,299,657
Furniture and equipment	508,176	502,879
Automobile	43,128	34,202
Construction-in-progress	<u>-</u>	<u>158,063</u>
	2,444,361	1,994,801
Less accumulated depreciation	<u>(1,831,745)</u>	<u>(1,804,450)</u>
Net	<u><u>\$ 612,616</u></u>	<u><u>\$ 190,351</u></u>

Depreciation expense was \$59,272 and \$13,941 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 - DEFERRED REVENUE

Deferred revenue consists of the following:

	2018	2017
JA BizTown program	\$ 49,500	\$ 56,000
JA BizTown camp	17,086	-
Nashville Business Hall of Fame	27,500	27,500
Golf tournament	5,000	15,000
Other events and contributions	<u>10,000</u>	<u>88,600</u>
	<u><u>\$ 109,086</u></u>	<u><u>\$ 187,100</u></u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 6 - NOTES PAYABLE

The Organization's outstanding debt at June 30, 2018 was as follows:

Note payable	\$ 25,519
Less current portion	<u>(4,984)</u>
Total non-current portion	<u>\$ 20,535</u>

The Organization has an automobile note payable to Ford Motor Credit due in monthly installments aggregating \$531 including interest at 5.99%. The note matures in January 2023 and is collateralized by the automobile.

The Organization paid off an automobile note payable to First Bank in February 2018.

The Organization has a \$250,000 revolving line-of-credit with Capstar Bank bearing interest at the bank's prime rate plus 1% which was 5% at June 30, 2018. The credit agreement expires in March 15, 2019. This line of credit had a zero balance at June 30, 2018 and 2017.

Maturities of notes payable are as follows:

Year Ending June 30,	Amount
2019	\$ 4,984
2020	5,291
2021	5,616
2022	5,962
2023	<u>3,666</u>
	<u>\$ 25,519</u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 were restricted for the following purposes:

	2018	2017
Contribution receivable restricted for JA Finance Park capital improvements	\$ 1,151,669	\$ -
Contribution receivable restricted for JA BizTown program	195,238	285,941
Contribution receivable restricted for JA BizTown capital improvements	-	250,000
Funding received restricted for JA BizTown capital improvements	-	91,937
	<u>\$ 1,346,907</u>	<u>\$ 627,878</u>

NOTE 8 - FUNDS HELD BY OTHERS

On January 13, 1995, the Organization created the Junior Achievement Agency Fund with the Nashville Area Community Foundation (the "Foundation"). The Organization retains the right to make future contributions to the Junior Achievement Agency Fund and to suggest the manner in which income of the Junior Achievement Agency Fund is distributed to charitable organizations, including the Organization, which otherwise meet the eligibility standards of the Foundation.

The Robert K. Zelle Fund with the Foundation was established upon the death of Robert K. Zelle. The Organization was named as the beneficiary of the Robert K. Zelle Fund. The Foundation directs all activities of the Robert K. Zelle Fund and distributes funds to the Organization based on the criteria agreed to by the Robert K. Zelle Fund and the Foundation.

The Foundation has ultimate authority and control over all property of the Funds, including income derived therefrom, for use in conjunction with the charitable purposes of the Foundation, therefore, these assets are not included in the financial statements of the Organization. The Funds are charged an asset management fee by the Foundation ranging from .4%-1.25% of the current value of the Fund annually. The Funds are also charged an investment fee ranging from .8%-.9% of the Fund annually. Both fees are payable quarterly in arrears. Distributions to the Organization are made annually based on the prior year's average quarterly market value at a rate of 5%.

The market value of the Funds was \$2,543,083 and \$2,164,201 as of June 30, 2018 and 2017, respectively. The distributions received for the years ended June 30, 2018 and 2017 totaled \$188,200 and \$17,600, respectively.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 9 - DONATED MATERIALS AND SERVICES

The Organization receives donated materials and services ("in-kind" contributions) in the normal course of its operations, to include program materials, special events, fundraising goods or services, property and equipment and office supplies. The estimated fair values of these items are included in the statements of activities for the years ended June 30, 2018 and 2017 as follows:

	2018	2017
Management and general	\$ 17,225	\$ 87,594
Special events	20,231	21,167
Program materials - Biztown	472	747
Program materials	<u>442</u>	<u>-</u>
Total in-kind contributions	<u>\$ 38,370</u>	<u>\$ 109,508</u>

NOTE 10 - OPERATING LEASE

Junior Achievement of Middle Tennessee, Inc. leases its administrative offices and JA BizTown facilities under an operating lease expiring August 31, 2026. Junior Achievement pays certain operating expenses in addition to the base rent.

The Organization also leases copiers and printers under an operating lease held by Novacopy. The lease expires in August 2022. Monthly lease payments are \$1,380.

Future minimum rental commitments are as follows:

Year Ending June 30,	Amount
2019	\$ 195,474
2020	199,947
2021	204,532
2022	209,231
2023	200,248
Thereafter	<u>471,848</u>
	<u>\$ 1,481,280</u>

Rent amounted to \$180,079 and \$173,523 for the years ended June 30, 2018 and 2017, respectively. The copier lease payments are part of the repair and maintenance expenses in the statements of functional expenses.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 11 - COMMITMENTS

As a franchisee of Junior Achievement, Inc., the Organization pays franchise fees based on contribution revenue. The fees are based on contributions for the prior fiscal year ended, paid monthly in equal installments.

As a franchise of JA Worldwide, operating the JA BizTown program in Nashville, the Organization pays license fees based on the number of students utilizing the program. The fees are \$1.50 per student.

Total franchise and licensee fees were \$47,668 and \$49,228 for 2018 and 2017, respectively.

NOTE 12 - MULTIEMPLOYER 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.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 12 - MULTIEMPLOYER PENSION PLAN (CONTINUED)

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

1. Assets contributed to the multiemployer plan by one employer 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, 2018 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number. The Plan's funded status available in 2018 and 2017 is for years ended June 30, 2018 and 2017, respectively. There have been no significant changes that affect the comparability of 2018 and 2017 contributions.

Pension Fund	EIN/ Pension Plan Number	Funded Status		Contributions of Organization	
		2018	2017	2018	2017
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN 333	92%	79%	<u>\$ 63,442</u>	<u>\$ 57,128</u>

The Organization was listed in its Plan's Form 5500 as providing more than 5% of the total contributions for the June 30, 2018 and 2017 plan years.

NOTE 13 - 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 Organization. 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.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 13 - HEALTH AND WELFARE BENEFITS TRUST AND POSTRETIREMENT
BENEFITS PLAN (CONTINUED)**

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 multiemployer 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, 2018 and 2017 was \$54,532 and \$40,406, respectively.