

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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.

September 9, 2019

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS			
		2019	2018
CURRENT ASSETS			
Cash and cash equivalents	\$	523,011	\$ 686,567
Restricted cash		990,908	345,148
Contributions receivable currently due, net		737,167	472,671
Prepaid expenses and other current assets		19,961	18,346
		<u>2,271,047</u>	<u>1,522,732</u>
Total current assets			
		<u>2,271,047</u>	<u>1,522,732</u>
Non-current contributions receivable, net		816,080	531,521
Property and equipment, net		792,837	612,616
		<u>1,608,917</u>	<u>1,144,137</u>
Total long term assets			
		<u>1,608,917</u>	<u>1,144,137</u>
TOTAL ASSETS		<u><u>\$ 3,879,964</u></u>	<u><u>\$ 2,666,869</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	326,993	\$ 82,660
Deferred revenue		119,500	109,086
Current portion of note payable		5,291	4,984
		<u>451,784</u>	<u>196,730</u>
Total current liabilities			
		<u>451,784</u>	<u>196,730</u>
LONG TERM LIABILITIES			
Note payable, net of current portion		15,212	20,535
		<u>15,212</u>	<u>20,535</u>
Total long term liabilities			
		<u>15,212</u>	<u>20,535</u>
Total liabilities		<u>466,996</u>	<u>217,265</u>
NET ASSETS			
Without donor restriction		1,112,096	1,102,697
With donor restriction		2,300,872	1,346,907
		<u>3,412,968</u>	<u>2,449,604</u>
Total net assets			
		<u>3,412,968</u>	<u>2,449,604</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 3,879,964</u></u>	<u><u>\$ 2,666,869</u></u>

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

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Contributions:						
Corporations	\$ 122,853	\$ 1,071,296	\$ 1,194,149	\$ 115,747	\$ 892,376	\$ 1,008,123
Individuals	66,719	152,121	218,840	65,554	248,691	314,245
Foundations	239,275	142,762	382,037	334,810	216,000	550,810
Total contributions	428,847	1,366,179	1,795,026	516,111	1,357,067	1,873,178
Special events	549,238	-	549,238	617,665	-	617,665
Program fees	186,094	-	186,094	171,099	-	171,099
In-kind contributions	24,711	-	24,711	38,370	-	38,370
Interest	5,400	17,746	23,146	5,400	3,275	8,675
Other	7,449	-	7,449	9,998	-	9,998
Merchandise sales	4,508	-	4,508	5,879	-	5,879
Gain on sale of fixed assets	-	-	-	15,165	-	15,165
Net assets released from restrictions	429,960	(429,960)	-	641,313	(641,313)	-
Total revenues and other support	1,636,207	953,965	2,590,172	2,021,000	719,029	2,740,029
Expenses						
Functional expenses:						
Program services	1,028,057	-	1,028,057	1,023,529	-	1,023,529
Management and general	165,407	-	165,407	182,704	-	182,704
Fundraising	225,158	-	225,158	191,100	-	191,100
Total functional expenses	1,418,622	-	1,418,622	1,397,333	-	1,397,333
Special events	161,254	-	161,254	138,269	-	138,269
Franchise and licensee fees	46,932	-	46,932	47,668	-	47,668
Total expenses	1,626,808	-	1,626,808	1,583,270	-	1,583,270
INCREASE IN NET ASSETS	9,399	953,965	963,364	437,730	719,029	1,156,759
NET ASSETS, BEGINNING OF THE YEAR	1,102,697	1,346,907	2,449,604	664,967	627,878	1,292,845
NET ASSETS, END OF THE YEAR	<u>\$ 1,112,096</u>	<u>\$ 2,300,872</u>	<u>\$ 3,412,968</u>	<u>\$ 1,102,697</u>	<u>\$ 1,346,907</u>	<u>\$ 2,449,604</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, 2019 AND 2018

	Program Activities			Supporting Activities		Total Expenses	
	Education	JA Biztown	Programs Subtotal	Management and General	Fund Raising	2019	2018
Salaries and benefits	\$ 188,313	\$ 189,919	\$ 378,232	\$ 70,245	\$ 123,559	\$ 572,036	\$ 551,834
Rent	19,856	141,342	161,198	8,946	12,700	182,844	180,079
Program materials	127,018	28,075	155,093	-	-	155,093	152,578
Repairs and maintenance	8,880	59,488	68,368	5,581	7,188	81,137	84,582
Retirement benefits	31,114	19,441	50,555	8,806	15,429	74,790	63,442
Employee insurance	30,920	12,807	43,727	7,544	8,332	59,603	54,532
Payroll taxes	14,056	14,400	28,456	5,313	9,406	43,175	41,743
Utilities	3,120	22,520	25,640	1,425	1,710	28,775	35,329
Telephone	6,043	5,382	11,425	3,213	3,827	18,465	14,930
Student fees	-	16,533	16,533	-	-	16,533	14,544
Computer expense	1,357	7,158	8,515	3,266	775	12,556	1,217
Business development	-	60	60	-	10,567	10,627	9,208
Staff training	271	2,084	2,355	5,227	2,305	9,887	12,306
Program insurance	-	3,191	3,191	6,478	-	9,669	7,924
Professional fees	-	-	-	8,175	-	8,175	7,900
Subscriptions	305	60	365	7,413	305	8,083	9,759
Outside services	1,183	2,327	3,510	1,440	806	5,756	6,811
Office supplies	185	1,145	1,330	1,639	87	3,056	1,041
Business insurance	884	720	1,604	495	833	2,932	3,530
Volunteer training	-	2,817	2,817	-	-	2,817	2,666
Interest	-	-	-	1,361	-	1,361	775
Marketing	-	-	-	-	1,273	1,273	2,045
Travel	-	-	-	-	1,177	1,177	2,715
Public relations	-	21	21	801	-	822	1,020
Postage	282	141	423	88	168	679	475
Total functional expenses before depreciation and other items	433,787	529,631	963,418	147,456	200,447	1,311,321	1,262,985
Depreciation	-	64,639	64,639	12,294	-	76,933	59,272
In-kind items	-	-	-	-	24,711	24,711	38,370
Costs related to capital campaign	-	-	-	5,657	-	5,657	36,706
Total functional expenses	\$ 433,787	\$ 594,270	\$ 1,028,057	\$ 165,407	\$ 225,158	\$ 1,418,622	\$ 1,397,333

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

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 963,364	\$ 1,156,759
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	76,933	59,272
Loss on sale of fixed asset	-	(15,165)
Contributions restricted by donor	(789,692)	(424,081)
Increase in contributions receivable, net	(549,055)	(321,382)
Increase in other current assets	(1,615)	(1,336)
Increase (decrease) in accounts payable and accrued expenses	244,333	(145,378)
Increase (decrease) in deferred revenue	<u>10,414</u>	<u>(78,014)</u>
Net cash provided by operating activities	<u>(45,318)</u>	<u>230,675</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed asset	-	17,500
Purchases of property and equipment	<u>(60,554)</u>	<u>(48,535)</u>
Net cash used in investing activities	<u>(60,554)</u>	<u>(31,035)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of note payable	-	27,486
Principal payments on notes payable	(5,016)	(6,136)
Payments from restricted cash	<u>(52,668)</u>	<u>(39,237)</u>
Net cash used in financing activities	<u>(57,684)</u>	<u>(17,887)</u>
 Increase (decrease) in cash and cash equivalents	(163,556)	181,753
 CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>686,567</u>	<u>504,814</u>
 CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 523,011</u>	<u>\$ 686,567</u>
 <u>SUPPLEMENTAL DISCLOSURES</u>		
 CASH PAID DURING THE YEAR FOR INTEREST	<u>\$ 1,361</u>	<u>\$ 775</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, 2019 AND 2018**

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 36,755 students in kindergarten through twelfth grade, in 199 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 2,768 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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Contributions

All contributions are considered to be without donor restriction unless specifically stated by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as net assets without donor restriction.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

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 without restrictions support unless the donor has restricted the donated asset for a specific purpose.

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.

Restricted Cash

Certain cash accounts are classified as restricted assets on the statements of financial position because their use is limited by donor restrictions.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

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

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.

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, 2019, 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.

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, 2019 AND 2018**

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

Functional Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits, payroll taxes, postage, telephone and equipment maintenance, which are allocated on the basis of estimates of time and effort, and rent, building repairs and maintenance, insurance and utilities are allocated on the basis of estimated square footage utilized by each program service and by general and administrative services. All other expenses are directly assigned to their related program.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adopted the guidance and has applied the changes retrospectively to all period presented. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources in Note 3.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

Net Asset Classifications	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 1,102,697	\$ -	\$ 1,102,697
Temporarily restricted	-	1,346,907	1,346,907
Permanently restricted	-	-	-
Net assets as reported	<u>\$ 1,102,697</u>	<u>\$ 1,346,907</u>	<u>\$ 2,449,604</u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019, through the date of the issued financial statements. During the period, there were material recognizable subsequent events that required recognition in the disclosures to the June 30, 2019 financial statements in Note 15.

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, 2019 and 2018, the Organization had \$1,260,054 and \$793,669 respectively that was uninsured by the Federal Deposit Insurance Corporation.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$2,251,085 of financial assets available within one year of the statement financial position date consisting of substantially cash of \$1,513,919, and net accounts receivable of \$737,167. Cash and cash equivalents of \$523,011 is not restricted by donors, and \$990,908 is restricted by donors, as of financial statement date. Net accounts receivable of \$119,205 are not restricted by donors, while \$147,241 and \$470,721 are restricted for programs and capital campaign, respectively. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expense, which are, on average, approximately \$275,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2019 and 2018 are summarized as follows:

	2019	2018
JA Finance Park pledges	\$ 1,377,221	\$ 789,075
JA BizTown program	147,241	200,000
Other	176,715	103,127
	<u>1,701,177</u>	<u>1,092,202</u>
Less discounts to net present value	(70,222)	(57,507)
Less allowance for uncollectible amounts	<u>(77,708)</u>	<u>(30,503)</u>
Total	<u><u>\$ 1,553,247</u></u>	<u><u>\$ 1,004,192</u></u>

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

	2019	2018
Current portion	\$ 737,167	\$ 472,671
Non-current portion	<u>816,080</u>	<u>531,521</u>
Total	<u><u>\$ 1,553,247</u></u>	<u><u>\$ 1,004,192</u></u>

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:

	2019	2018
Due in one to five years	\$ 690,603	\$ 408,471
Due in six to ten years	<u>125,477</u>	<u>123,050</u>
Total non-current portion	<u><u>\$ 816,080</u></u>	<u><u>\$ 531,521</u></u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Tenant improvements	\$ 1,893,057	\$ 1,893,057
Furniture and equipment	518,729	508,176
Automobile	43,128	43,128
Construction-in-progress	246,600	-
	<u>2,701,514</u>	<u>2,444,361</u>
Less accumulated depreciation	<u>(1,908,677)</u>	<u>(1,831,745)</u>
Net	<u><u>\$ 792,837</u></u>	<u><u>\$ 612,616</u></u>

Depreciation expense was \$76,933 and \$59,272 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 - DEFERRED REVENUE

Deferred revenue consists of the following:

	2019	2018
JA BizTown program	\$ 35,000	\$ 49,500
JA BizTown camp	-	17,086
Nashville Business Hall of Fame	30,000	27,500
Golf tournament	15,000	5,000
Other events and contributions	39,500	10,000
	<u><u>\$ 119,500</u></u>	<u><u>\$ 109,086</u></u>

NOTE 7 - NOTE PAYABLE

The Organization's outstanding debt at June 30, 2019 was as follows:

Note payable	\$ 20,503
Less current portion	<u>(5,291)</u>
Total non-current portion	<u><u>\$ 15,212</u></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.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 7 - NOTE PAYABLE (CONTINUED)

Maturities of the note payable is as follows:

Year Ending June 30,	Amount
2020	\$ 5,291
2021	5,616
2022	5,962
2023	3,634
	<u>\$ 20,503</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 were restricted for the following purposes:

	2019	2018
Contributions and pledges for JA Finance		
Park capital improvements and program	\$ 2,165,872	\$ 1,151,669
Contribution receivable restricted for JA		
BizTown program	<u>135,000</u>	<u>195,238</u>
	<u>\$ 2,300,872</u>	<u>\$ 1,346,907</u>

NOTE 9 - 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.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 9 - FUNDS HELD BY OTHERS (CONTINUED)

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 \$2,540,536 and \$2,543,083 as of June 30, 2019 and 2018, respectively. The distributions received for the years ended June 30, 2019 and 2018 totaled \$127,200 and \$188,200, respectively.

NOTE 10 - 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, 2019 and 2018 as follows:

	2019	2018
Special events	\$ 17,627	\$ 20,231
Program materials - Biztown	4,541	472
Program materials	2,543	442
Management and general	<u>-</u>	<u>17,225</u>
Total in-kind contributions	<u>\$ 24,711</u>	<u>\$ 38,370</u>

NOTE 11 - 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.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 11 - OPERATING LEASE (CONTINUED)

Future minimum rental commitments are as follows:

Year Ending June 30,	Amount
2020	\$ 199,947
2021	204,532
2022	209,231
2023	200,248
2024	202,425
Thereafter	<u>455,748</u>
	<u>\$ 1,472,131</u>

Rent amounted to \$182,844 and \$180,079 for the years ended June 30, 2019 and 2018, respectively. The copier lease payments are part of the repair and maintenance expenses in the statements of functional expenses.

NOTE 12 - 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 \$46,932 and \$47,668 for 2019 and 2018, respectively.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 13 - MULTIEMPLOYER PENSION PLAN

Prior to June 30, 2019, 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. Prior to June 30, 2019, 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. Prior to June 30, 2019, the Organization made contributions equal to 16.75% of 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 the JA USA, Inc. approved the termination of the Defined Benefit 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 that participating employers remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied, and are thereby required to make contributions equal to 13.25% of participants' eligible compensation.

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.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 13 - MULTIEMPLOYER PENSION PLAN (CONTINUED)

The Organization's participation in this 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 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 of Organization	
		2019	2018	2019	2018
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN 333	108%	92%	<u>\$ 74,790</u>	<u>\$ 63,442</u>

The Organization was listed in its Plan's Form 5500 as providing more than 5% of the total contributions for the June 30, 2019 and 2018 plan years.

NOTE 14 - 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.

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, 2019 and 2018 was \$59,603 and \$54,532, respectively.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 15 SUBSEQUENT EVENTS

The Organization entered into a non-revolving loan agreement with a bank in the amount of \$950,000 on August 12, 2019. The funds will be used to renovate its facilities for its Finance Park program. The loan is secured by all assets of the Organization. The note accrues interest at a fixed rate of 4%. The Organization will pay interest monthly for the term of this agreement. Principal payments will be due annually on February 12 as follows: \$250,000 due on February 12, 2021 and 2022; \$200,000 due on February 12, 2023; \$150,000 due on February 12, 2024 and final payment of the unpaid balance on February 12, 2025. The maturity date of this agreement is February 12, 2025.

The Organization entered into a \$250,000 line of credit agreement with a bank on August 12, 2019 to be used for operations as needed. The line of credit is secured by all assets of the Organization. The line of credit has a variable interest rate at the bank's index rate plus 1%. Interest is due monthly and the principal and any unpaid interest is due on demand of the bank.