

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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

August 31, 2020

JUNIOR ACHIEVEMENT OF MIDDLE TENNESSEE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS			
		2020	2019
CURRENT ASSETS			
Cash and cash equivalents	\$	732,535	\$ 523,011
Restricted cash		-	990,908
Contributions receivable currently due, net		509,710	737,167
Prepaid expenses and other current assets		<u>34,072</u>	<u>19,961</u>
Total current assets		<u>1,276,317</u>	<u>2,271,047</u>
Non-current contributions receivable, net		424,578	816,080
Property and equipment, net		<u>1,953,789</u>	<u>792,837</u>
Total long term assets		<u>2,378,367</u>	<u>1,608,917</u>
TOTAL ASSETS		<u><u>\$ 3,654,684</u></u>	<u><u>\$ 3,879,964</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	29,289	\$ 327,771
Deferred revenue		269,450	119,500
Current portion of notes payable		<u>121,576</u>	<u>5,291</u>
Total current liabilities		<u>420,315</u>	<u>452,562</u>
LONG TERM LIABILITIES			
Notes payable, net of current portion		<u>134,314</u>	<u>15,212</u>
Total long term liabilities		<u>134,314</u>	<u>15,212</u>
Total liabilities		<u>554,629</u>	<u>467,774</u>
NET ASSETS			
Without donor restriction		2,124,946	1,111,318
With donor restriction		<u>975,109</u>	<u>2,300,872</u>
Total net assets		<u>3,100,055</u>	<u>3,412,190</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 3,654,684</u></u>	<u><u>\$ 3,879,964</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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Contributions:						
Corporations	\$ 111,497	\$ 164,350	\$ 275,847	\$ 122,853	\$ 1,071,296	\$ 1,194,149
Individuals	85,505	112,289	197,794	66,719	152,121	218,840
Foundations	255,661	90,200	345,861	239,275	142,762	382,037
Total contributions	452,663	366,839	819,502	428,847	1,366,179	1,795,026
Special events	333,782	-	333,782	549,238	-	549,238
Program fees	108,085	-	108,085	186,094	-	186,094
In-kind contributions	28,981	-	28,981	24,711	-	24,711
Other	19,521	-	19,521	7,449	-	7,449
Interest	5,500	4,846	10,346	5,400	17,746	23,146
Merchandise sales	2,574	-	2,574	4,508	-	4,508
Net assets released from restrictions	1,697,448	(1,697,448)	-	429,960	(429,960)	-
Total revenues and other support	2,648,554	(1,325,763)	1,322,791	1,636,207	953,965	2,590,172
Expenses						
Functional expenses:						
Program services	1,122,153	-	1,122,153	1,027,820	-	1,027,820
Management and general	186,054	-	186,054	165,015	-	165,015
Fundraising	170,017	-	170,017	224,149	-	224,149
Total functional expenses	1,478,224	-	1,478,224	1,416,984	-	1,416,984
Special events	93,975	-	93,975	163,670	-	163,670
Franchise and licensee fees	62,727	-	62,727	46,932	-	46,932
Total expenses	1,634,926	-	1,634,926	1,627,586	-	1,627,586
INCREASE (DECREASE) IN NET ASSETS	1,013,628	(1,325,763)	(312,135)	8,621	953,965	962,586
NET ASSETS, BEGINNING OF THE YEAR	1,111,318	2,300,872	3,412,190	1,102,697	1,346,907	2,449,604
NET ASSETS, END OF THE YEAR	<u>\$ 2,124,946</u>	<u>\$ 975,109</u>	<u>\$ 3,100,055</u>	<u>\$ 1,111,318</u>	<u>\$ 2,300,872</u>	<u>\$ 3,412,190</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, 2020

	Program Activities				Supporting Activities		Total
	Education	JA Biztown	JA Finance Park	Programs Subtotal	Management and General	Fund Raising	
Salaries and benefits	\$ 186,229	\$ 145,935	\$ 113,593	\$ 445,757	\$ 61,070	\$ 104,328	\$ 611,155
Rent	12,491	80,690	79,530	172,711	6,100	8,225	187,036
Repairs and maintenance	5,857	33,272	24,803	63,932	6,112	5,178	75,222
Retirement benefits	29,755	18,381	1,036	49,172	9,028	14,842	73,042
Employee insurance	24,050	13,715	12,315	50,080	10,191	6,051	66,322
Program materials	47,048	17,090	1,109	65,247	-	-	65,247
Payroll taxes	13,997	11,187	8,442	33,626	4,586	7,946	46,158
Utilities	1,201	10,555	10,672	22,428	2,467	721	25,616
Student fees	-	18,983	826	19,809	-	-	19,809
Telephone	5,663	4,789	2,452	12,904	2,628	3,399	18,931
Subscriptions	215	100	1,313	1,628	10,734	215	12,577
Staff training	1,427	270	-	1,697	8,152	979	10,828
Business development	-	62	303	365	7,164	3,147	10,676
Program insurance	7,457	3,196	-	10,653	-	-	10,653
Professional fees	-	-	-	-	8,425	-	8,425
Outside services	1,347	2,642	654	4,643	1,229	1,170	7,042
Computer expense	1,658	749	1,624	4,031	2,202	754	6,987
Interest	-	-	4,472	4,472	1,264	-	5,736
Office supplies	472	1,724	985	3,181	2,065	288	5,534
Business insurance	435	425	376	1,236	394	414	2,044
Marketing	-	943	10	953	-	1,024	1,977
Travel	-	-	852	852	-	969	1,821
Postage	746	316	109	1,171	124	367	1,662
Public relations	-	39	103	142	790	-	932
Volunteer training	754	65	14	833	-	-	833
Total functional expenses before depreciation and other items	340,802	365,128	265,593	971,523	144,725	160,017	1,276,265
Depreciation	-	63,868	83,781	147,649	13,709	-	161,358
In-kind items	-	2,863	118	2,981	16,000	10,000	28,981
Costs related to capital campaign	-	-	-	-	11,620	-	11,620
Total functional expenses	\$ 340,802	\$ 431,859	\$ 349,492	\$ 1,122,153	\$ 186,054	\$ 170,017	\$ 1,478,224

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

	Program Activities			Supporting Activities		
	Education	JA Biltown	Programs Subtotal	Management and General	Fund Raising	Total
Salaries and benefits	\$ 188,313	\$ 189,919	\$ 378,232	\$ 70,245	\$ 123,559	\$ 572,036
Rent	19,856	141,342	161,198	8,946	12,700	182,844
Program materials	127,018	28,075	155,093	-	-	155,093
Repairs and maintenance	8,880	59,188	68,068	5,079	7,188	80,335
Retirement benefits	31,114	19,441	50,555	8,806	15,429	74,790
Employee insurance	30,920	12,807	43,727	7,544	8,332	59,603
Payroll taxes	14,056	14,400	28,456	5,313	9,406	43,175
Utilities	3,120	22,520	25,640	1,425	1,710	28,775
Telephone	6,043	5,382	11,425	3,213	3,827	18,465
Student fees	-	16,533	16,533	-	-	16,533
Computer expense	1,357	7,158	8,515	3,266	775	12,556
Business development	-	60	60	-	9,558	9,618
Staff training	271	2,084	2,355	5,227	2,305	9,887
Program insurance	-	3,191	3,191	6,478	-	9,669
Professional fees	-	-	-	8,175	-	8,175
Subscriptions	305	60	365	7,413	305	8,083
Outside services	1,183	2,327	3,510	1,440	806	5,756
Office supplies	185	1,145	1,330	1,639	87	3,056
Business insurance	884	720	1,604	495	833	2,932
Volunteer training	-	2,880	2,880	-	-	2,880
Interest	-	-	-	1,361	-	1,361
Marketing	-	-	-	-	1,273	1,273
Travel	-	-	-	-	1,177	1,177
Public relations	-	21	21	801	-	822
Postage	282	141	423	88	168	679
Total functional expenses before depreciation and other items	433,787	529,394	963,181	146,954	199,438	1,309,573
Depreciation	-	64,639	64,639	12,294	-	76,933
In-kind items	-	-	-	-	24,711	24,711
Costs related to capital campaign	-	-	-	5,767	-	5,767
Total functional expenses	\$ 433,787	\$ 594,033	\$ 1,027,820	\$ 165,015	\$ 224,149	\$ 1,416,984

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (312,135)	\$ 962,586
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	161,358	76,933
Contributions restricted by donor	(177,906)	(789,692)
Increase (decrease) in contributions receivable, net	618,959	(549,055)
Increase in other current assets	(14,111)	(1,615)
Increase (decrease) in accounts payable and accrued expenses	(298,482)	245,111
Increase in deferred revenue	149,950	10,414
	<u>127,633</u>	<u>(45,318)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of leasehold improvements	(989,053)	-
Purchases of property and equipment	(333,257)	(60,554)
	<u>(1,322,310)</u>	<u>(60,554)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	490,500	-
Principal payments on notes payable	(255,113)	(5,016)
Receipts (payments) from restricted cash	1,168,814	(52,668)
	<u>1,404,201</u>	<u>(57,684)</u>
Net cash provided by (used in) financing activities		
Increase (decrease) in cash and cash equivalents	209,524	(163,556)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>523,011</u>	<u>686,567</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 732,535</u>	<u>\$ 523,011</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
CASH PAID DURING THE YEAR FOR INTEREST	<u>\$ 5,736</u>	<u>\$ 1,361</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, 2020 AND 2019**

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 24,844 students in kindergarten through twelfth grade, in 125 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 2,301 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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020, 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, 2020 AND 2019**

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.

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, 2020, through the date of the issued financial statements. During the period, there was a material subsequent event that required recognition in the disclosures to the June 30, 2020 financial statements in Note 17.

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, 2020, the Organization had \$442,045 that was uninsured by the Federal Deposit Insurance Corporation.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$1,242,245 of financial assets available within one year of the statement financial position date consisting of cash of \$732,535, and net accounts receivable of \$509,710. Net accounts receivable of \$48,373 are not restricted by donors, while \$461,337 are restricted for programs and capital campaign. 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 \$246,000. 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, 2020 AND 2019**

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019
JA Finance Park pledges	\$ 937,486	\$ 1,377,221
JA BizTown program	-	147,241
Other	86,126	176,715
	<u>1,023,612</u>	<u>1,701,177</u>
Less discounts to net present value	(44,163)	(70,222)
Less allowance for uncollectible amounts	<u>(45,161)</u>	<u>(77,708)</u>
Total	<u><u>\$ 934,288</u></u>	<u><u>\$ 1,553,247</u></u>

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

	2020	2019
Current portion	\$ 509,710	\$ 737,167
Non-current portion	<u>424,578</u>	<u>816,080</u>
Total	<u><u>\$ 934,288</u></u>	<u><u>\$ 1,553,247</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:

	2020	2019
Due in one to five years	\$ 355,298	\$ 690,603
Due in six to ten years	<u>69,280</u>	<u>125,477</u>
Total non-current portion	<u><u>\$ 424,578</u></u>	<u><u>\$ 816,080</u></u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Tenant improvements	\$ 3,107,835	\$ 1,893,057
Furniture and equipment	827,861	518,729
Website	45,000	-
Automobile	43,128	43,128
Construction-in-progress	-	246,600
	<u>4,023,824</u>	<u>2,701,514</u>
Less accumulated depreciation	<u>(2,070,035)</u>	<u>(1,908,677)</u>
Net	<u><u>\$ 1,953,789</u></u>	<u><u>\$ 792,837</u></u>

Depreciation expense was \$161,358 and \$76,933 for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 - DEFERRED REVENUE

Deferred revenue consists of the following:

	2020	2019
Golf tournament	\$ 156,600	\$ 15,000
JA BizTown program	47,500	35,000
Backstage at BizTown	26,600	-
JA Finance Park program	20,000	-
Other events and contributions	17,500	39,500
Nashville Business Hall of Fame	1,250	30,000
	<u><u>\$ 269,450</u></u>	<u><u>\$ 119,500</u></u>

NOTE 7 - LINE OF CREDIT

The Organization maintains a line of credit to support operations in the amount of \$250,000. The line of credit is secured by all assets of the Organization. The variable interest rate is the bank's index rate plus one percent (1%). There was no balance on this line of credit as of June 30, 2020 and 2019.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 - NOTES PAYABLE

The Organization's outstanding debt as of June 30, 2020 was as follows:

Notes payable	\$ 255,890
Less current portion	<u>(121,576)</u>
Total non-current portion	<u>\$ 134,314</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 entered into a non-revolving loan agreement with a bank in the amount of up to \$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 balance due as of June 30, 2020 for this note is \$50,000.

The Organization entered an agreement with the Achievement Foundation signing a promissory note on June 9, 2020 to support ongoing operational expenses due to uncertainty from the ongoing COVID-19 pandemic. The terms of the note are as follows: no interest (0%) accrues if quarterly payments are made before the due date, and funds are used in the manner agreed to in the promissory note. If either of these terms are breached, the note will revert to a demand noted bearing two percent (2%) above the prime rate as established by Citibank N.A. with the total amount of the unpaid balance due immediately. Twelve quarterly payments of \$4,167 begin on June 30, 2021. The note matures on March 31, 2024. The balance of this note as of June 30, 2020 is \$50,000.

The Organization has an unsecured note payable with Truist Bank dated April 27, 2020 due in monthly installments of \$7,907, including interest at a fixed rate of 1.00%. Payments are scheduled to begin on November 27, 2020. The note is due in full on April 27, 2022. The balance of the note payable at June 30, 2020 was \$140,500.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 - NOTES PAYABLE (CONTINUED)

The loan from Truist Bank was received under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

A summary of future maturities of notes payable is as follows:

Year Ending June 30,	Amount
2021	\$ 121,576
2022	101,337
2023	20,477
2024	12,500
	<u>\$ 255,890</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Contributions and pledges for JA Finance		
Park capital improvements and program	\$ 975,109	\$ 2,165,872
Contribution receivable restricted for JA		
BizTown program	<u>-</u>	<u>135,000</u>
	<u>\$ 975,109</u>	<u>\$ 2,300,872</u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 10 - 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 \$2,350,827 and \$2,540,536 as of June 30, 2020 and 2019, respectively. The distributions received for the years ended June 30, 2020 and 2019 totaled \$123,400 and \$127,200, respectively.

NOTE 11 - 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, 2020 and 2019 as follows:

	2020	2019
Special events	\$ 10,000	\$ 17,627
Program materials - Biztown	2,863	4,541
Program materials	118	2,543
Management and general	<u>16,000</u>	<u>-</u>
Total in-kind contributions	<u>\$ 28,981</u>	<u>\$ 24,711</u>

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 12 - OPERATING LEASES

Junior Achievement of Middle Tennessee, Inc. leases its administrative offices and JA BizTown and JA Finance Park 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
2021	\$ 204,532
2022	209,231
2023	200,248
2024	202,425
2025	207,486
Thereafter	<u>248,263</u>
	<u><u>\$ 1,272,185</u></u>

Office and facilities rent amounted to \$187,036 and \$182,844 for the years ended June 30, 2020 and 2019, respectively. The copier lease payments are part of the repair and maintenance expenses in the statements of functional expenses.

NOTE 13 - 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 \$62,727 and \$46,932 for 2020 and 2019, respectively.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 14 - RETIREMENT PLAN

The Organization implemented a Defined Contribution 401(k) Plan on July 1, 2019 for employees with one year of service and 1,000 hours worked, and having attained the age of 18. The Organization contributed 3% of employee wages in 2019 with no requirement for employees to contribute to the plan.

The total contributions made by the Organization for the plan amounted to \$13,288 for 2020.

NOTE 15 - 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 until 2019, when a substantial portion of the portfolio was placed into fixed income mutual funds, and 2020, when Plan assets were converted to cash and cash equivalents. Prior to June 30, 2019, in accordance with the plan documents, the Organization made contributions to the plan 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 JA USA, Inc. 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 required that participating employers remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied. As a result, during 2020, in accordance with the plan documents, the Organization continued to make contributions equal to 13.25% of the participants' eligible compensation.

During 2020, the Plan participants elected the mode of their distribution (whether lump sum or annuity) and the Plan liquidated and distributed benefit payments accordingly. The Plan engaged an insurance company to assume the annuity portfolio, and as of June 30, 2020 substantially all benefit obligations of the Plan had either been paid (lump sum elections) or transferred (annuity elections). Upon the conclusion of any necessary administrative proceedings and the final review by the Pension Benefit Guarantee Corporation (PBGC), any remaining Plan assets will be distributed to participating employers on a pro-rata basis. The timing and results of these administrative proceedings and PBGC's final review are uncertain, and as a result, the Organization cannot reasonably estimate, and thus has not recorded, any pro-rata amounts receivable from the Plan at June 30, 2020.

**JUNIOR ACHIEVEMENT
OF MIDDLE TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 15 - MULTIEMPLOYER PENSION PLAN (CONTINUED)

During the years ended June 30, 2020 and 2019, the organization contributed \$59,205 and \$74,790, respectively, to the Plan.

To coincide with the termination of the Plan, the Organization implemented a Defined Contribution 401(k) Plan for eligible employees on July 1, 2019. See Note 14.

NOTE 16 - 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, 2020 and 2019 was \$66,322 and \$59,603, respectively.

NOTE 17 - SUBSEQUENT EVENTS

The Organization's non-revolving loan agreement entered in 2019 to support renovations made for its JA Finance Park program with a balance of \$50,000 at June 30, 2020 was paid in full on July 21, 2020.