WHISMAN GIORDANO

CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

# JUNIOR ACHIEVEMENT OF DELAWARE, INC.

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

## JUNE 30, 2021 AND 2020

JUNIOR ACHIEVEMENT OF DELAWARE, INC.

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Junior Achievement of Delaware, Inc.
Wilmington, Delaware

**Report on the Financial Statements**

We have audited the accompanying financial statements of Junior Achievement of Delaware, Inc. as of June 30, 2021 and 2020, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Board of Directors
Junior Achievement of Delaware, Inc.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Delaware, Inc. as of June 30, 2021 and 2020, 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.

## Emphasis of Matter

As discussed in the notes to the financial statements, the Entity adopted the new accounting guidance required by generally accepted accounting principles from Accounting Standards Update (ASU) 2018-08, "*Contributions Received and Contributions Made*" and ASC 606 "*Revenue from Contracts with Customers.*" These changes in accounting principles have been applied to all periods presented. Our opinion is not modified with respect to these matters.

*Whisman Giordano & Associates, LLC*
Newark, Delaware
December 8, 2021

# JUNIOR ACHIEVEMENT OF DELAWARE, INC.

## STATEMENTS OF FINANCIAL POSITION

## JUNE 30, 2021 AND 2020

### ASSETS

| | 2021 | 2020 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 228,829 | $ 221,367 |
| Accounts receivable | 14,713 | 65,697 |
| Total current assets | 243,542 | 287,064 |
| **NONCURRENT ASSETS** | | |
| Endowment | 181,716 | 144,024 |
| Property and equipment, net of accumulated depreciation | 1,274,453 | 1,336,282 |
| Hall of Fame display | 65,845 | 65,845 |
| Timeshare | 12,000 | 12,000 |
| Total noncurrent assets | 1,534,014 | 1,558,151 |
| TOTAL ASSETS | $ 1,777,556 | $ 1,845,215 |

### LIABILITIES AND NET ASSETS

| | 2021 | 2020 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Line of credit | $ 62,000 | $ 50,000 |
| Current portion of long-term debt | - | - |
| Accounts payable and accrued expenses | 12,770 | 11,637 |
| Accrued vacation | 9,572 | 10,274 |
| Deferred revenue | 20,300 | 34,005 |
| Total current liabilities | 104,642 | 105,916 |
| **NONCURRENT LIABILITIES** | | |
| Long-term debt | - | 145,435 |
| Total noncurrent liabilities | - | 145,435 |
| TOTAL LIABILITIES | 104,642 | 251,351 |
| **NET ASSETS** | | |
| Without donor restriction | 1,188,554 | 1,182,196 |
| With donor restriction | 484,360 | 411,668 |
| Total net assets | 1,672,914 | 1,593,864 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,777,556 | $ 1,845,215 |

*See accompanying notes to financial statements.*

# JUNIOR ACHIEVEMENT OF DELAWARE, INC.

## STATEMENT OF ACTIVITIES

## FOR THE YEAR ENDED JUNE 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT | | | |
| Contributions and grants | | | |
| Corporate | $ 367,718 | $ 45,000 | $ 412,718 |
| Individual | 10,205 | 17,690 | 27,895 |
| Foundation | 12,000 | - | 12,000 |
| Total contributions and grants | 389,923 | 62,690 | 452,613 |
| Special events, net of expenses of $9,906 | 24,904 | - | 24,904 |
| Governmental income | 366,300 | - | 366,300 |
| Endowment fund unrealized (losses) | - | 35,542 | 35,542 |
| Interest income | 2,174 | 1,877 | 4,051 |
| Other income | - | - | - |
| | 393,378 | 37,419 | 430,797 |
| Net assets released from restriction | 27,417 | (27,417) | - |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | 810,718 | 72,692 | 883,410 |
| EXPENSES | | | |
| Program | 578,261 | - | 578,261 |
| General and administrative | 148,522 | - | 148,522 |
| Fundraising | 77,577 | - | 77,577 |
| TOTAL EXPENSES | 804,360 | - | 804,360 |
| CHANGE IN NET ASSETS | 6,358 | 72,692 | 79,050 |
| NET ASSETS - BEGINNING OF YEAR | 1,182,196 | 411,668 | 1,593,864 |
| NET ASSETS - END OF YEAR | $ 1,188,554 | $ 484,360 | $ 1,672,914 |

*See accompanying notes to financial statements.*

# JUNIOR ACHIEVEMENT OF DELAWARE, INC.

## STATEMENT OF ACTIVITIES

## FOR THE YEAR ENDED JUNE 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| REVENUES, GAINS AND OTHER SUPPORT | | | |
| Contributions and grants | | | |
| Corporate | $ 530,764 | $ 35,000 | $ 565,764 |
| Individual | 186,543 | 8,315 | 194,858 |
| Foundation | 188,875 | 28,548 | 217,423 |
| Total contributions and grants | 906,182 | 71,863 | 978,045 |
| Special events, net of expenses of $38,491 | 75,175 | - | 75,175 |
| Governmental income | 230,631 | - | 230,631 |
| Endowment fund unrealized gains | - | (4,605) | (4,605) |
| Interest income | 1,032 | 2,915 | 3,947 |
| Other income | 20,047 | - | 20,047 |
| | 326,885 | (1,690) | 325,195 |
| Net assets released from restriction | 74,905 | (74,905) | - |
| TOTAL REVENUES, GAINS AND OTHER SUPPORT | 1,307,972 | (4,732) | 1,303,240 |
| EXPENSES | | | |
| Program | 834,414 | - | 834,414 |
| General and administrative | 202,526 | - | 202,526 |
| Fundraising | 195,639 | - | 195,639 |
| TOTAL EXPENSES | 1,232,579 | - | 1,232,579 |
| CHANGE IN NET ASSETS | 75,393 | (4,732) | 70,661 |
| NET ASSETS - BEGINNING OF YEAR | 1,106,803 | 416,400 | 1,523,203 |
| NET ASSETS - END OF YEAR | $ 1,182,196 | $ 411,668 | $ 1,593,864 |

*See accompanying notes to financial statements.*

# JUNIOR ACHIEVEMENT OF DELAWARE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

## FOR THE YEAR ENDED JUNE 30, 2021

| | Program | General & Administrative | Fund Raising | Total |
|---|---|---|---|---|
| Bad debts | $ - | $ 1,000 | $ - | $ 1,000 |
| Condo fees and rent | - | 10,234 | 3,411 | 13,645 |
| Depreciation and amortization | 81,253 | 27,085 | - | 108,338 |
| Employee benefits | 36,774 | 9,712 | 8,075 | 54,561 |
| Insurance | 4,916 | 1,639 | - | 6,555 |
| Interest expense | 1,711 | 1,711 | - | 3,422 |
| Lease expense | 5,699 | 1,900 | - | 7,599 |
| Local travel | 230 | - | - | 230 |
| Maintenance/janitorial | 8,949 | 1,722 | - | 10,671 |
| Office expense | 12,944 | 4,734 | 1,108 | 18,786 |
| Payroll | 272,735 | 72,028 | 59,888 | 404,651 |
| Payroll taxes | 19,473 | 5,143 | 4,276 | 28,892 |
| Professional fees | 11,724 | 7,153 | 441 | 19,318 |
| Program expense | 100,441 | - | - | 100,441 |
| Public relations | 6,818 | 379 | 378 | 7,575 |
| Staff (conference) training | - | - | - | - |
| Telephone | 4,989 | 880 | - | 5,869 |
| Utilities | 9,605 | 3,202 | - | 12,807 |
| | $ 578,261 | $ 148,522 | $ 77,577 | $ 804,360 |

*See accompanying notes to financial statements.*

JUNIOR ACHIEVEMENT OF DELAWARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

| | Program | General & Administrative | Fund Raising | Total |
|---|---|---|---|---|
| Bad debts | $ - | $ 1,322 | $ - | $ 1,322 |
| Condo fees and rent | - | 10,234 | 3,411 | 13,645 |
| Depreciation and amortization | 79,735 | 26,578 | - | 106,313 |
| Employee benefits | 81,823 | 23,983 | 31,396 | 137,202 |
| Insurance | 3,995 | 705 | - | 4,700 |
| Interest expense | 4,257 | 1,064 | - | 5,321 |
| Lease expense | 2,583 | 5,015 | - | 7,598 |
| Local travel | 7,484 | 935 | 935 | 9,354 |
| Maintenance/janitorial | 24,929 | 4,399 | - | 29,328 |
| Office expense | 21,693 | 7,919 | 1,850 | 31,462 |
| Payroll | 369,567 | 95,746 | 144,534 | 609,847 |
| Payroll taxes | 26,911 | 6,972 | 10,525 | 44,408 |
| Professional fees | 11,828 | 8,382 | 281 | 20,491 |
| Program expense | 144,774 | - | - | 144,774 |
| Public relations | 28,824 | 1,601 | 2,707 | 33,132 |
| Staff (conference) training | 225 | - | - | 225 |
| Telephone | 5,896 | 1,041 | - | 6,937 |
| Utilities | 19,890 | 6,630 | - | 26,520 |
| | $ 834,414 | $ 202,526 | $ 195,639 | $ 1,232,579 |

*See accompanying notes to financial statements.*

JUNIOR ACHIEVEMENT OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributions, foundations, and corpoarations | $ 503,597 | $ 960,285 |
| Cash received from governemental sources | 366,300 | 230,631 |
| Cash received from other operating sources | 24,904 | 95,222 |
| Cash paid to employees, suppliers and vendors | (708,024) | (1,164,155) |
| Cash received from interest and dividiends | 4,051 | 3,947 |
| Cash paid for interest | (3,422) | (5,321) |
| Net cash provided by operating activities | 187,406 | 120,609 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (46,509) | (58,937) |
| Net cash (used for) investing activities | (46,509) | (58,937) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Line of credit draws (repayments) | 12,000 | (25,000) |
| (Forgiveness of) Proceeds from Paycheck Protection Program loan | (145,435) | 145,435 |
| Loan repayments | - | (170,118) |
| Net cash (used for) financing activities | (133,435) | (49,683) |
| NET INCREASE (DECREASE) IN CASH | 7,462 | 11,989 |
| CASH AND CASH EQUIVALENTS BEGINNING OF YEAR | 221,367 | 209,378 |
| CASH AND CASH EQUIVALENTS END OF YEAR | $ 228,829 | $ 221,367 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | $ 3,422 | $ 5,321 |

*See accompanying notes to financial statements.*

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Purpose of Junior Achievement*

The mission of Junior Achievement of Delaware, Inc. is to inspire and prepare young people to succeed in both the local and global economy through work readiness, entrepreneurship and financial literacy.

This is accomplished through a diverse portfolio of robust, volunteer-led programs spanning kindergarten through twelfth grade. These include JA Biztown, JA Finance Park and the JA Innovation Hub, which comprise Junior Achievement of Delaware, Inc.'s one-of-a-kind 13,000 square foot experiential learning center, JA Campus.

At the JA Campus, students become "adults for a day", are making critical financial, educational and career decisions in an environment where the consequences are real enough to make an indelible educational impact.

*Financial Reporting Framework*

The financial position and results of activities of Junior Achievement of Delaware, Inc. (or the entity) have been reported on an acceptable financial reporting framework. The financial reporting framework used by the entity is U.S. generally accepted accounting principles (GAAP). Under this financial reporting framework, revenues are recognized in the period when earned and expenses are recorded when a liability is incurred.

*Basis of Financial Statement Presentation*

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). FASB codification pertaining to *Not-for-Profit Entities*, *ASU No. 2016-14*, requires the entity to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. The net assets and revenues, expenses, gains and losses are classified based on the existence of, or the absence of, donor-imposed restrictions. Accordingly, net assets and changes therein are classified as described below. Management has adopted these provisions effective for the fiscal year ended June 30, 2019 and has included all adjustments and disclosures required. There have been reclassifications to previous amounts presented as a result of this adoption.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Classification of Net Assets*

Separate line items may be reported within net assets with donor restrictions or in notes to financial statements to distinguish between various types of donor-imposed restrictions, including the following:

a) Assets donated with stipulations that they be invested to provide a permanent source of income. These result from gifts and bequests that create a donor-restricted endowment that is perpetual in nature,

b) Support of a particular operating activity,

c) Use in a specified future period.

Junior Achievement of Delaware, Inc., as previously disclosed, reports its net assets as either net asset without donor restrictions or net assets with donor restrictions. Separate line items are disclosed in Note H to distinguish the donor- imposed restrictions at June 30, 2021.

*Pervasiveness of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions include but are not limited to accounts receivable and promises to give and the related allowance for uncollectible accounts, useful lives selected for depreciating property and equipment, the timing of the recognition of certain revenue, and reserves for contingencies of program or grant audits. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Management does not believe that any of its estimates involve assumptions that are highly uncertain or that different, reasonable estimates, or changes in accounting estimates that are reasonably likely to occur, would have a material impact on the financial statements. To the extent there are material differences between management’s estimates and actual results, future results of operations will not be affected.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Cash Equivalents*

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with remaining maturities of three months or less.

*Promises to Give*

The entity recognizes pledges as support in the period in which the unconditional promise to give is received. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows, when material.

During the year, the entity adopted the new accounting guidance required by generally accepted accounting principles issued in ASU 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification of accounting for grants and contracts as exchange transactions or contributions and improve guidance to distinguish between conditional and unconditional contributions. The entity has updated these statements accordingly. The implementation of this guidance resulted in no changes to the prior year information as previously presented.

*Inventory*

Inventory consists of program materials and is carried at the lower of cost or market. Cost is determined using the specific identification method. Inventory as of June 30, 2021 and 2020 amounted to $- and $-, respectively.

*Property and Equipment*

Property and equipment are stated at cost, if purchased. Donated assets are capitalized at their fair value at the date of the gift. The entity follows the practice of capitalizing all expenditures for property and equipment in excess of $1,000. Expenses for maintenance and repairs are charged to expense as incurred; costs of renewals and betterments are capitalized.

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Compensated Absences*

In accordance with ASC 710-10-25, the entity has recorded a vacation accrual in the financial statements as of June 30, 2021 and 2020 amounting to $9,572 and $10,274, respectively.

*License Fees*

Junior Achievement of Delaware, Inc. is required to pay a license fee according to a scale established by the Board of Directors of its national affiliate. For the year ended June 30, 2020 and years succeeding 2020, JA Worldwide, Inc. requested that the local affiliates classify franchise fees as program service expense. As such, Junior Achievement of Delaware does not report franchise fees for the years ended June 30, 2021 and 2020.

*Revenue Recognition*

The entity adopted ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 applies to substantially all entities including non-profit entities. The fundamental principle of this new accounting guidance is that non-profit entities should recognize revenue in a manner that reflects the timing of the transfer of goods and services to customers in an amount that reflects the consideration that the entity expects to receive from such transfers.

ASU 2014-09 establishes a five-step approach for the recognition of revenue. The entity adopted this guidance using the modified retrospective approach which applies to any entity that had remaining obligations as of July 1, 2019 and any new contracts entered into subsequent thereto. Under the modified approach, non-profit entities are not required to restate comparative periods in the financial statements.

As a result of this change in accounting guidance, the entity updated its revenue recognition policies and procedures. The implementation of ASU 2014-09 did not impact the amount of revenue recognized in previous years nor did it impact the revenue recognized during 2020.

The Entity adheres to ASC 958-605, *Not for Profit Entities Revenue Recognition*, in recording contributions received. Contributions received are recorded as with or without donor restricted support, depending on the existence and, if applicable, the nature of donor restrictions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Revenue Recognition (continued)*

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions.

*Functional Allocation of Expenses by Nature and Function*

The cost of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Activities that represent direct conduct on supervision of program or other supporting activities are allocated to such programs and generally from management and general expense. Additionally, certain cost benefit more than one function, and therefore allocated accordingly. The allocation of overhead items are allocated based on payroll cost, square footage or programming.

*Income Taxes*

Junior Achievement of Delaware, Inc. is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements. In addition, the entity has been classified as one that is not a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Although the entity is not subject to federal and state income taxes, the entity is required to adhere to ASC 740 *"Accounting for Income Taxes"*, which applies to all entities including those that are tax exempt under 501(c)(3). ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. ASC 740 prescribes a comprehensive model for the financial statement's recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if the respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Income Taxes (Continued)*

Currently, the June 30, 2018, 2019 and 2020 tax years are open and subject to examination by the Internal Revenue Service; however, the entity is not currently under audit nor has the entity been contacted by this jurisdiction. Any interest and penalties related to income taxes would be recorded as income tax expense. There are no interest and penalties as of June 30, 2021 and 2020.

## NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable are reported at an amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance and a credit to accounts receivable.

The following is a summary of accounts receivable at June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Accounts receivable | $ 14,713 | $ 65,697 |
| Less: allowance for uncollectible accounts | - | - |
| | $ 14,713 | $ 65,697 |

## NOTE C - INVESTMENTS AND ENDOWMENT

Junior Achievement's endowment fund contains two memorial sub-funds for the purpose of providing scholarships. (These sub-funds were segregated by JA of Delaware in memory of the individuals for which the funds are named. There is no documentation that requires us to use these funds for scholarships. Technically they are only restricted as the endowment fund is restricted.) As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

## NOTE C - INVESTMENTS AND ENDOWMENT (CONTINUED)

Junior Achievement is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Trustees appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board of Trustees of Junior Achievement has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Junior Achievement considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Junior Achievement has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, Junior Achievement considers the following factors in making a determination to appropriate or accumulate donor- restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of Junior Achievement

Investments consisted of the following at June 30, 2021 and 2020:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Beverley Jones Scholarship Fund | $ 35,506 | $ 37,931 | $ 35,006 | $ 31,700 |
| Delaware Community Foundation | 66,002 | 143,785 | 66,002 | 112,324 |
| | $ 101,508 | $ 181,716 | $ 101,008 | $ 144,024 |

Return objectives and risk parameters have been established by the entity, as there is a formal investment and spending policy.

NOTE C - INVESTMENTS AND ENDOWMENT (CONTINUED)

| | Without Donor Restrictions | With Donor Restrictions | Total Endowment Assets |
|---|---|---|---|
| Endowment and scholarship funds | $ - | $ 181,716 | $ 181,716 |
| Total funds | $ - | $ 181,716 | $ 181,716 |

Changes in endowment net assets as of June 30, 2021 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Endowment Assets |
|---|---|---|---|
| Endowment net assets, | | | |
| Beginning of year | $ - | $ 144,024 | $ 144,024 |
| Contributions | - | 500 | 500 |
| Realized and unrealized (loss) | - | 35,542 | 35,542 |
| Interest income | - | 3,544 | 3,544 |
| Investment fees | - | (1,894) | (1,894) |
| Endowment net assets, end of year | $ - | $ 181,716 | $ 181,716 |

Changes in endowment net assets as of June 30, 2020 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Endowment Assets |
|---|---|---|---|
| Endowment net assets, | | | |
| Beginning of year | $ - | 110,544 | $ 110,544 |
| Contributions | - | 36,351 | 36,351 |
| Realized and unrealized loss | - | (4,605) | (4,605) |
| Interest income | - | 2,915 | 2,915 |
| Investment fees | - | (1,181) | (1,181) |
| Endowment net assets, end of year | $ - | $ 144,024 | $ 144,024 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of SPMIFA requires Junior Achievement to retain as a fund or perpetual duration. No deficiencies of this nature exist as of June 30, 2021 and 2020.

## NOTE C - INVESTMENTS AND ENDOWMENT (CONTINUED)

Junior Achievement has the ability to take annual distributions from its endowment at an amount mutually agreed upon with Delaware Community Foundation. Junior Achievement has not requested, nor received any distributions in the years ended June 30, 2021 and 2020. While Junior Achievement does not have a written policy on expected endowment growth, management, along with the board monitor the endowment performance, and communicate with appropriate personnel at DCF to make informed decisions. Because Junior Achievement has not drawn on the endowment, management and board do not believe a spending policy is necessary, at the current time.

## NOTE D - FAIR VALUE MEASUREMENTS

The entity adheres to ASC 820, *"Fair Value Measurements and Disclosures"*. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, ASC 820 establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

> *Level 1* - Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt and equity securities that are traded in active exchange markets, as well as certain U.S. Treasury and other U.S. Governments and agencies that are highly liquid and are actively traded in over-the-counter markets.
>
> *Level 2* - Observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
>
> *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

## NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)

The valuation methodologies used for assets measured at fair value may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although the entity believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The tables below present the financial instruments carried at fair value as of June 30, 2021 and 2020 by ASC 820 valuation hierarchy defined above.

| *June 30, 2021* | Fair Value | (Level 1) | (Level 2) | (Level 3) |
|---|---|---|---|---|
| Mutual Funds | $ 181,716 | $ 37,931 | $ 143,785 | $ - |
| | $ 181,716 | $ 37,931 | $ 143,785 | $ - |

| *June 30, 2020* | Fair Value | (Level 1) | (Level 2) | (Level 3) |
|---|---|---|---|---|
| Mutual Funds | $ 144,024 | $ 31,700 | $ 112,324 | $ - |
| | $ 144,024 | $ 31,700 | $ 112,324 | $ - |

## NOTE E - PROPERTY AND EQUIPMENT AND DEPRECIATION

A summary of property and equipment is as follows:

| | 2021 | 2020 |
|---|---|---|
| Building | $ 421,843 | $ 421,843 |
| Building additions | 1,895,423 | 1,895,423 |
| Equipment | 495,362 | 491,999 |
| Furniture and fixtures | 59,583 | 59,583 |
| Information technology | 539,816 | 496,669 |
| | 3,412,027 | 3,365,517 |
| Less: accumulated depreciation | (2,137,574) | (2,029,235) |
| | $ 1,274,453 | $ 1,336,282 |

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to $108,338 and $98,622 respectively.

## NOTE F - LONG-TERM DEBT

In August 2016, the entity refinanced the long-term debt with WSFS Bank. Under the refinancing agreement, the debt of $475,000 will be payable over 20 years, and bear interest at 3.99% for five years, and at WSJ prime rate plus 0.50% for the remaining terms of the debt. The repayment terms of the loan call for a monthly consecutive interest only payments from October through March and principal plus interest payments from April through September until full payout of the debt. The debt is collateralized by a first lien mortgage on the real estate property of the entity. This mortgage was paid off in January 2020.

Included in the Phase III COVID-19 Relief Bill, a bill passed by Congress in response to the coronavirus pandemic, is a provision known as the "*Paycheck Protection Program.*" This program is intended to provide federal insured, potentially forgivable loans that can be used to cover short-term operating expenses during the economic crisis. On April 23, 2020 the entity was awarded $145,435 to be used as outlined in the Paycheck Protection Program. During the year ended June 30, 2021, the entity received full forgiveness, including interest of $1,359, and has recognized this revenue as a government grant.

## NOTE G - LINE OF CREDIT

The entity has a $150,000 line of credit facility with WSFS Bank. The line of credit bears variable interest based on the lowest Prime Rate as published in the Wall Street Journal "Money Rates" table which is 3.25% as of June 30, 2021.

The line of credit is collateralized by all inventory and equipment of the entity. As of June 30, 2021 and 2020, the outstanding balance of the line of credit is $62,000 and $50,000, respectively.

## NOTE H - RESTRICTED NET ASSETS

Restricted net assets are available for the following purposes as of June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Capability campaign | $ 198,048 | $ 153,048 |
| Endowment fund | 110,763 | 84,491 |
| Scholarship fund | 75,549 | 64,129 |
| Financial literacy fund | 100,000 | 110,000 |
| | $ 484,360 | $ 411,668 |

## NOTE I - SPECIAL EVENTS

| | 2021 | | |
|---|---|---|---|
| | Revenue | Expenses | Net Proceeds |
| Delaware Business Leaders Hall of Fame (held virtually) | $ 34,810 | $ (9,906) | $ 24,904 |
| | $ 34,810 | $ (9,906) | $ 24,904 |

| | 2020 | | |
|---|---|---|---|
| | Revenue | Expenses | Net Proceeds |
| Delaware Business Leaders Hall of Fame | $ 95,735 | (35,286) | $ 60,449 |
| Fall Fair | 12,100 | (3,205) | $ 8,895 |
| Highmark Walk | 5,831 | - | 5,831 |
| | $ 113,666 | $ (38,491) | $ 75,175 |

## NOTE J - OPERATING LEASES

Junior Achievement of Delaware, Inc. in the normal course of business, leases certain office equipment. These leases are for two copiers and a mail meter, which leases expire in April 2023. Lease expense for the years ended June 30, 2021 and 2020 amounted to $7,599 and $7,598 respectively.

Future minimum lease payments are as follows:

| June 30 | Amount |
|---|---|
| 2022 | 5,952 |
| 2023 | 4,960 |
| Total | $ 10,912 |

## NOTE K - PENSION AND POST-RETIREMENT PLAN

*Multi-employer Pension Plan (Terminated Effective June 30, 2019)*

Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan was administered by the Organization and covered all full-time employees of the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas in the United States. Benefits were determined based on years of service and salary history. Plan's assets were invested in a variety of 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, JA Worldwide, Inc. and participating Junior Achievement Areas 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 the Organization 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 (including the Organization) 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, JA Worldwide, Inc. and participating Junior Achievement Areas continued to make contributions equal to 13.25% of participants' eligible compensation.

During 2020, 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). The remaining assets in the Plan, as detailed below, are restricted for additional, future termination and other required administrative expenses. 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.

## NOTE K - PENSION AND POST-RETIREMENT PLAN (CONTINUED)

To facilitate the termination of the Plan, the Organization obtained a $12,000,000 revolving credit agreement, described in Note 7. Under the plan of termination any amounts borrowed under the line would be used to pre-fund the plan on behalf of the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas. As a result, the Organization has recorded a receivable for funds advanced to the Plan and expenses paid directly by the Organization on behalf of the other participating employers. The receivable is expected to be collected from the Plan rather than from participating employers, given the over funded status of the Plan, described below.

During the years ended June 30, 2020, the Organization contributed approximately $980,000 to the plan. The Organization was listed in its plan's Form 5500 as providing more than 5% of the total contributions for the June 30, 2020 plan year.

*Plan Information*

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

| | 2020 |
|---|---|
| Benefit obligation | $ - |
| Fair value of plan assets | 5,479,154 |
| Over/(under) funded status | $ 5,479,154 |
| Accumulated benefit obligation | $ - |

## NOTE K - PENSION AND POST-RETIREMENT PLAN (CONTINUED)

*Plan Information (continued)*

At June 30, 2019, Plan participant's benefits were frozen. Significant assumptions included:

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

| | 2020 |
|---|---|
| Discount rate | N/A |
| Rate of compensation increase | N/A |

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

| | 2020 |
|---|---|
| Discount rate | N/A |
| Expected return on plan assets | N/A |
| Rate of compensation increase | N/A |

## NOTE L - HEALTH AND WELFARE BENEFITS TRUST

*Health and Welfare Benefits Trust*

The Organization has a self-funded medical, dental and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization, JA Worldwide, Inc. and employees of Junior Achievement Areas in the United States 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.

## NOTE L - HEALTH AND WELFARE BENEFITS TRUST (CONTINUED)

The following represents summarized financial information pertaining to the Benefits Trust as of and for the year ended June 30, 2020:

| | 2020 |
|---|---|
| Assets | $ 7,396,305 |
| Liabilities | 423,603 |
| Net assets | $ 6,972,702 |
| Additions to net assets | $ 9,423,270 |
| Deductions from net assets | 8,993,727 |
| Change in net assets | 429,543 |
| Net assets, beginning of year | 6,543,159 |
| Net assets, end of year | $ 6,972,702 |

In addition to the summarized financial information presented above, the Benefits Trust also reports in the notes to the April 30, 2020 audited financial statements, claims payable of $238,990, and claims incurred but not reported of $567,531. The obligation for claims incurred but not reported is not recorded in the Benefits Trust's statements of net assets available for benefits.

*Postretirement Benefits Plan*

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

NOTE L - HEALTH AND WELFARE BENEFITS TRUST (CONTINUED)

*Total Postretirement Plan Information*

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

| | 2020 |
|---|---|
| Benefit obligation | $ (8,542,169) |
| Fair value of plan assets | - |
| Underfunded status | $ (8,542,169) |
| Accumulated benefit obligation | $ (8,542,169) |

Weighted-average assumptions used to determine benefit obligations at June 30, 2020:

| | 2020 |
|---|---|
| Discount rate | 2.75% |
| Rate of compensation increase | 2.50% |

Weighted-average assumptions used to determine benefit costs at June 30, 2020:

| | 2020 |
|---|---|
| Discount rate | 0.50% |
| Rate of compensation increase | 3.00% |

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2021:

| | |
|---|---|
| 2022 | 319,253 |
| 2023 | 334,552 |
| 2024 | 314,778 |
| 2025 | 318,381 |
| 2026 to 2030 | 2,019,935 |

The Organization’s premium expense for the Health and Welfare Plan for the years ended June 30, 2020 was $1,077,476.

## NOTE M - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, a member of the entity's board of directors is affiliated with a financial institution where the entity maintains deposit accounts.

## NOTE N - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued new guidance on leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of the adoption of the new standard, which includes compiling a list of all contracts that meet the definition of a lease under the new standard and determine the proper classification and accounting treatment to determine the ultimate impact the new standard will have on the financial statements.

## NOTE O - LIQUIDITY

As part of Junior Achievement of Delaware's liquidity management, it invests cash in excess of daily requirement in short-term investments. Management, along with the board, has set a goal to build cash reserves to meet or exceed 50% of the prior year’s cash expenditures, one of the five metrics set by JA USA. Last fiscal year the entity achieved this goal but has fallen short this fiscal year, as management has prioritized liquidating debt over building cash reserves, so that they may build cash reserves in the future. In the event of an unanticipated liquidity need, Junior Achievement of Delaware also could draw upon $88,000 of available lines of credit (as further discussed in Note G). Additionally, there is approximately $170,000 in a bank account, of which, $145,000 is restricted for meeting JA USA’s capability criteria. Because of the nature of this restriction, management has an arrangement with the donor that if there are significant cash shortages, management can request the donor’s release of the necessary cash needs.

| Description | Amount |
|---|---|
| Cash and cash equivalents | $ 228,829 |
| Accounts receivable | 14,713 |
| Total liquid assets available | $ 243,542 |
| Less: donor restricted assets, not including endowment and scholarship fund restricted assets | 298,048 |
| Total financial assets available to mangement for general expenditures within one year | $ (54,506) |

## NOTE P - RISKS AND UNCERTAINTY

The outbreak of a novel strain of coronavirus (COVID-19) has spread throughout the United States beginning in March of 2020. Multiple jurisdictions in the U.S. have declared various levels of States of Emergency.

The COVID-19 pandemic has impacted virtually every aspect of American life and essentially all businesses and institutions, including not-for-profit entities. Of particular concern has been the welfare of children. In this respect there have been numerous decisions made regarding school closures, as well as mechanisms for virtual learning. As a result, the Entity has been unable to host visitations from children to the JA Campus which will lead to decreased revenues and cash flow in the fiscal year ending June 30, 2021.

## NOTE P - RISKS AND UNCERTAINTY (CONTINUED)

Management, together with the board of directors has continually monitored the impact on the entity's operations and the resulting financial volatility, including liquidity concerns. Accordingly, management has taken a variety of financial initiatives (currently and previously) including accumulating cash and endowment funds, liquidating debt and cutting and controlling operating cost. Simultaneously, the Entity has made certain learning opportunities available remotely with virtual volunteers and virtual simulation/competition options available to teachers and students.

## NOTE Q - SUBSEQUENT EVENTS

Management has reviewed and evaluated all other subsequent events through December 8, 2021, which is the date the financial statements were available to be issued and has determined that there were no other matters that require adjustment or disclosure in the June 30, 2021 financial statements.