

**Junior Achievement
of Northern New England, Inc.**

Financial Statements
and
Independent Auditors' Report
June 30, 2021 and 2020



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Junior Achievement of Northern New England, Inc.

We have audited the accompanying financial statements of Junior Achievement of Northern New England, Inc. (the Organization) which comprise the statements of financial position 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Northern New England, 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.

Daniel Dennis & Company LLP

November 17, 2021

Junior Achievement of Northern New England, Inc.

Statements of Financial Position

June 30, 2021 and 2020

<i>Assets</i>		
	2021	2020
<i>Current Assets</i>		
Cash and cash equivalents	\$ 412,541	\$ 184,706
Accounts receivable	134,211	32,900
Pledges receivable	435,520	200,323
Inventory	2,988	2,988
Prepaid expenses	<u>11,234</u>	<u>12,464</u>
Total current assets	<u>996,494</u>	<u>433,381</u>
<i>Long Term Assets</i>		
Cash and cash equivalents	9,073	5,182
Investments, at fair value	886,104	766,579
Security deposit	12,000	12,000
Property and equipment, net	<u>42,684</u>	<u>38,215</u>
Total long term assets	<u>949,861</u>	<u>821,976</u>
Total assets	<u>\$ 1,946,355</u>	<u>\$ 1,255,357</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 161,511	\$ 80,875
Refundable advances	20,000	111,400
Deferred revenue	213,575	207,290
Notes Payable - current portion	<u>16,667</u>	<u>4,236</u>
Total current liabilities	<u>411,753</u>	<u>403,801</u>
<i>Long Term Liabilities</i>		
Notes payable - long term portion	29,166	73,164
Deferred rent payable	<u>11,845</u>	<u>12,569</u>
Total long term liabilities	<u>41,011</u>	<u>85,733</u>
Total liabilities	<u>452,764</u>	<u>489,534</u>
<i>Net Assets</i>		
Net assets without donor restrictions	(70,406)	(351,388)
Board designated net assets	<u>720,291</u>	<u>621,026</u>
Total net assets without donor restrictions	649,885	269,638
Net assets with donor restrictions	<u>843,706</u>	<u>496,185</u>
Total net assets	<u>1,493,591</u>	<u>765,823</u>
Total liabilities and net assets	<u>\$ 1,946,355</u>	<u>\$ 1,255,357</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Activities

For the Years Ended June 30, 2021 and 2020

	<i>2021</i>			<i>2020</i>		
	<i>Net Assets Without Donor Restrictions</i>	<i>Net Assets With Donor Restrictions</i>	<i>Total June 30, 2021</i>	<i>Net Assets Without Donor Restrictions</i>	<i>Net Assets With Donor Restrictions</i>	<i>Total June 30, 2020</i>
<i>Public Support and Revenues</i>						
<i>Contributions:</i>						
Corporations	\$ 254,533	\$ 204,000	\$ 458,533	\$ 352,994	\$ 139,000	\$ 491,994
Individuals	354,573	-	354,573	453,929	-	453,929
Foundations	<u>235,785</u>	<u>317,737</u>	<u>553,522</u>	<u>170,914</u>	<u>115,213</u>	<u>286,127</u>
Total contributions	<u>844,891</u>	<u>521,737</u>	<u>1,366,628</u>	<u>977,837</u>	<u>254,213</u>	<u>1,232,050</u>
Special events	575,259	-	575,259	384,248	-	384,248
Less special events expenses	<u>(101,250)</u>	<u>-</u>	<u>(101,250)</u>	<u>(129,229)</u>	<u>-</u>	<u>(129,229)</u>
Net special events income	<u>474,009</u>	<u>-</u>	<u>474,009</u>	<u>255,019</u>	<u>-</u>	<u>255,019</u>
Investment return, net	9,238	2,255	11,493	19,925	4,251	24,176
Unrealized gain/(loss) on investments	59,687	15,846	75,533	(5,573)	1,280	(4,293)
Realized gain/(loss) on investments	29,337	6,048	35,385	(10,720)	(4,603)	(15,323)
In-kind contributions	71,310	-	71,310	3,013	-	3,013
Other income	367,124	-	367,124	17,827	-	17,827
Net assets released from restriction			-			-
Purpose restrictions	198,365	(198,365)	-	342,487	(342,487)	-
Time restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>2,053,961</u>	<u>347,521</u>	<u>2,401,482</u>	<u>1,599,815</u>	<u>(87,346)</u>	<u>1,512,469</u>
<i>Expenses</i>						
Program expenses	1,008,529	-	1,008,529	1,120,802	-	1,120,802
Management and general expense	353,454	-	353,454	449,750	-	449,750
Fundraising	<u>311,731</u>	<u>-</u>	<u>311,731</u>	<u>282,766</u>	<u>-</u>	<u>282,766</u>
Total expenses	<u>1,673,714</u>	<u>-</u>	<u>1,673,714</u>	<u>1,853,318</u>	<u>-</u>	<u>1,853,318</u>
Change in net assets	<u>380,247</u>	<u>347,521</u>	<u>727,768</u>	<u>(253,503)</u>	<u>(87,346)</u>	<u>(340,849)</u>
Net assets, beginning of year	<u>269,638</u>	<u>496,185</u>	<u>765,823</u>	<u>523,141</u>	<u>583,531</u>	<u>1,106,672</u>
Net assets, end of year	<u>\$ 649,885</u>	<u>\$ 843,706</u>	<u>\$ 1,493,591</u>	<u>\$ 269,638</u>	<u>\$ 496,185</u>	<u>\$ 765,823</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Functional Expenses

For the Years Ended June 30, 2021 and 2020

	2021				2020			
	<i>Program</i>	<i>General and</i>		<i>Total Expenses</i>	<i>Program</i>	<i>General and</i>		<i>Total Expenses</i>
		<i>Admini- stration</i>	<i>Fund Raising</i>			<i>Admini- stration</i>	<i>Fund Raising</i>	
Salaries and related expenses	\$ 671,964	\$ 202,573	\$ 227,294	\$ 1,101,831	\$ 823,067	\$ 275,020	\$ 210,522	\$ 1,308,609
Program materials	98,742	-	-	98,742	39,010	-	-	39,010
Rent	61,916	18,666	20,943	101,525	46,192	15,434	11,815	73,441
License fee	53,599	52,417	33,658	139,674	34,227	45,636	23,855	103,718
Office expenses	5,722	1,724	1,936	9,382	6,896	2,304	1,764	10,964
Travel, auto and meals	963	291	326	1,580	19,220	6,422	4,916	30,558
Professional fees	31,097	60,633	10,519	102,249	58,494	77,950	14,961	151,405
Telephone	3,945	1,189	1,334	6,468	3,935	1,315	1,006	6,256
Insurance	7,337	378	424	8,139	8,222	649	497	9,368
Training	507	2,329	171	3,007	16,518	13,022	4,225	33,765
Public relations	-	-	256	256	-	-	123	123
Interest expense	371	112	125	608	2,362	789	604	3,755
Scholarships	10,000	-	-	10,000	20,000	-	-	20,000
Payroll and bank fees	13,014	3,923	4,402	21,339	13,673	4,890	3,639	22,202
Depreciation	5,047	1,521	1,707	8,275	4,995	1,669	1,278	7,942
Bad debt expense	20,601	6,211	6,968	33,780	6,290	2,101	1,609	10,000
Utilities	256	77	86	419	1,316	440	337	2,093
Other expenses	23,448	1,410	1,582	26,440	16,385	2,109	1,615	20,109
Total expenses	\$ 1,008,529	\$ 353,454	\$ 311,731	\$ 1,673,714	\$ 1,120,802	\$ 449,750	\$ 282,766	\$ 1,853,318

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 727,768	\$ (340,849)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,275	7,942
Bad debt expense	33,780	10,000
Net unrealized (gain)/loss on investments	(76,575)	4,293
Net realized (gain)/loss on sale of investments	(35,385)	15,323
Net investment income	(11,493)	(24,176)
Net (gain)/loss on sale of property and equipment	1,042	-
Changes that provide/(use) cash:		
Accounts receivable	(101,311)	19,600
Pledges receivable	(268,977)	108,666
Inventory	-	(907)
Prepaid expenses	1,230	2,348
Accounts payable and accrued expenses	80,636	(51,991)
Deferred rent liability	(724)	471
Refundable advances	(91,400)	(20,700)
Deferred revenue	<u>6,285</u>	<u>207,290</u>
Net cash provided by/(used in) operating activities	<u>273,151</u>	<u>(62,690)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from the sale of investments	612,630	326,836
Purchase of investments	(608,702)	(305,761)
Purchase of equipment	<u>(13,786)</u>	<u>-</u>
Net cash provided by investing activities	<u>(9,858)</u>	<u>21,075</u>
<i>Cash Flows from Financing Activities</i>		
(Payment of)/proceeds from notes payable	(31,567)	77,400
Payment on line of credit	(235,000)	(235,000)
Proceeds from line of credit	<u>235,000</u>	<u>235,000</u>
Net cash (used in)/provided by financing activities	<u>(31,567)</u>	<u>77,400</u>
Net increase in cash and cash equivalents	231,726	35,785
Cash and cash equivalents - beginning of year	<u>189,888</u>	<u>154,103</u>
Cash and cash equivalents - end of year	<u>\$ 421,614</u>	<u>\$ 189,888</u>
<i>Supplemental information</i>		
Interest paid	<u>\$ 608</u>	<u>\$ 3,755</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

1. *Nature of Organization*

Junior Achievement of Northern New England, Inc. (the "Organization") is a Massachusetts not-for-profit organization. The Organization is a regional chapter of JA USA, an international organization. The mission of the Organization is to inspire and prepare young people to succeed in a global economy. The Organization is based in Bedford, Massachusetts and sponsors educational programs and events in eastern Massachusetts, central Massachusetts and New Hampshire. A description of the Organization's major programs is as follows:

Elementary School

The elementary school programs include five sequential themes for kindergarten through fifth-grade students. Students learn the basic concepts of business and economics and how education is relevant to the workplace. The sequential activities build on studies from each preceding grade and prepare students for secondary school and lifelong learning.

Middle School

The middle school programs for students in grades six through nine build on concepts the students learned in the elementary school program and help teens make difficult decisions about how to best prepare for their educational and professional future. The programs supplement standard social studies curricula and develop communication skills that are essential to success in the business world.

High School

As high school students, in grades nine through twelve, begin to position themselves for their future, there are many unanswered questions about what lies ahead. The Organization's high school programs help students make informed intelligent decisions about their future and foster skills that will be highly useful in the business world.

2. *Summary of Significant Accounting Policies*

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting for financial reporting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when goods are received or services rendered.

Net Asset Classification

Net assets of the Organization are classified into two categories based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Board of Directors has discretionary control over these net assets and may elect to designate such resources for specific purposes. This designation may be removed at the Board's direction.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2021 and 2020

2. *Summary of Significant Accounting Policies - Continued*

Net Asset Classification – Continued

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions received without donor imposed restrictions, or with donor imposed restrictions that are satisfied in the same year received, are recorded as revenues within the without donor restriction net asset class. Contributions received with donor imposed specific purpose or time restrictions that are not satisfied within the same year are recorded as revenue within the net assets with donor restriction class. When a restriction has been satisfied (payment has been made in accordance with the restriction or the time restriction has expired), the net assets with donor restriction are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that do not expire are recorded as revenue within net assets with donor restriction class.

The Organization receives donated materials and services in support of its programs. Donated materials and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if they were not donated are recorded as in-kind contributions in the financial statements. Donated services such as fund-raising, clerical assistance, or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization defines cash and cash equivalents as short-term, highly liquid investments with initial maturities of three months or less.

Refundable Advances

Cash received as payment in advance for participation in special events is recorded as refundable advances and is recognized as revenue when the event occurs.

Inventory

Inventory, consisting of program kits, is stated at the lower-of-cost or market based on the first-in first-out method.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2021 and 2020

2. *Summary of Significant Accounting Policies – Continued*

Property and Equipment

The Organization capitalizes as property and equipment all purchases of assets having a useful life of more than one year and a cost greater than \$1,000. Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense while costs of significant renewals and betterments are capitalized. Equipment is depreciated over 5 years and furniture and fixtures over 5-10 years.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Promise to Give

Unconditional promises to give are recognized as revenue and receivables in the period in which the promise is made. Unconditional promises to give that are expected to be collected within the next year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are discounted to the present value of their net realizable value. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. Bad debt expense for fiscal years ended June 30, 2021 and 2020 was recorded in the amounts of \$33,780 and \$10,000, respectively. However, the Organization has determined that all pledges receivable are collectible as of June 30, 2021 and 2020, therefore, no allowance has been recorded.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization for special event fees. An allowance for bad debt is provided based on management's evaluation of potential uncollectible accounts receivable at year-end. Bad debt expense for fiscal years ended June 30, 2021 and 2020 was recorded in the amounts of \$33,780 and \$10,000, respectively. However, the Organization has determined that all accounts receivable are collectible as of June 30, 2021 and 2020; therefore, no allowance has been recorded.

Functional Allocation of Expenses

Expenses are charged directly to programs or general and administrative based on specific identification. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs based on personnel time estimates. The statement of functional expenses reports expenses by functional and natural classification.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

2. *Summary of Significant Accounting Policies - Continued*

Fair Value Measurements

FASB *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable, such as models or other valuation methodologies; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments and Investment Income

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Investment income earned and unrealized gains/(losses) on unrestricted investments are reported as increases/(decreases) in net assets without donor restrictions, while unrealized gains and losses on permanently restricted investments are recorded as increases/(decreases) in net assets with donor restrictions, on the statement of activities.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the years ended June 30, 2021 and 2020, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

2. *Summary of Significant Accounting Policies - Continued*

Income Taxes - Continued

The Organization evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Organization has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2021 returns and believes they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. The Organization's 2018 through 2020 tax years remain subject to examination by Federal and state tax authorities.

3. *Property and Equipment*

Property and equipment as of June 30, 2021 and 2020 are summarized as follows:

	<i>2021</i>	<i>2020</i>
Office equipment	\$ 73,460	\$ 65,107
Furniture and fixtures	<u>31,634</u>	<u>31,634</u>
Total	105,094	96,741
Less accumulated depreciation	<u>(62,410)</u>	<u>(58,526)</u>
Property and equipment - net	<u>\$ 42,684</u>	<u>\$ 38,215</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$8,275 and \$7,942, respectively.

4. *Line of Credit*

The Organization has a \$376,351 revolving line of credit with Merrill Lynch Global Wealth Management that has no stated expiration date, bearing interest at 3.125% and secured by the board designated endowment. At June 30, 2021 and 2020, there was no debt outstanding on this line of credit. Interest expense paid during fiscal years 2021 and 2020, was \$608 and \$3,755, respectively.

5. *Investments*

Investments consist of mutual funds at June 30, 2021 and 2020. Fair value of mutual funds is based on quoted prices in active markets.

For the years ended June 30, 2021 and 2020, interest and dividend income, totaling \$11,493 and \$24,176, respectively, net of investment expenses totaling \$8,390 and \$8,318, respectively, are reported as investment return in the statements of activities. For the years ended June 30, 2021 and 2020, net realized gains/(losses) totaling \$35,385 and \$(15,323), respectively, and unrealized gains/(losses) totaling \$75,533 and \$(4,293), respectively are reported as such in the statements of activities.

Junior Achievement of Northern New England, Inc.Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

5. Investments – Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at June 30, 2021 and 2020.

<i>Description</i>	<u>2021</u>	<u>2020</u>
	<i>Level 1</i>	<i>Level 1</i>
Corporate Bond Funds	\$ 201,584	\$ 259,620
Multisector Bond Funds	90,845	94,087
Small Blend Funds	42,205	41,903
Large Blend Funds	180,637	178,853
Large Value Funds	117,046	53,427
Large Growth Funds	92,260	109,243
Natural Resources	71,542	240
Diversified Emerging Mkts	<u>89,985</u>	<u>29,206</u>
Total	<u>\$ 886,104</u>	<u>\$ 766,579</u>

6. Endowment

The Organization's endowment consists of one permanently restricted fund and a board designated fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restrictions require the Organization to maintain permanently restricted net assets in perpetuity.

The Board of Directors of the Organization (the Board) has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not permanently restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

6. *Endowment - Continued*

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified portfolio of liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price. The goal is, net of spending, to grow the aggregate portfolio value of the endowment by at least the rate of inflation, which based on historical trends, is estimated to be 3% per annum over the Organization's investment horizon (5 years), while adhering to the risk parameters established in the investment policy. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Organization has a policy of appropriating for distribution each year any investment earnings in excess of 3% of the fund's total return per annum, which is measured based upon the moving average of the last three years' fund total return measured at the end of the month preceding the budget process. The exact amount spent is determined in the budget process and approved by the Board.

A summary of the endowment activity is as follows:

	<i>2021</i>	<i>2020</i>
Endowment net assets - beginning of year	<u>\$ 771,760</u>	<u>\$ 767,386</u>
Investment return:		
Investment income	19,882	32,299
Contributions	2,525	2,576
Net appreciation/(depreciation) (realized and unrealized)	<u>111,960</u>	<u>(19,751)</u>
Total investment return	134,367	15,124
Withdrawals	(2,561)	(2,487)
Fees	<u>(8,390)</u>	<u>(8,263)</u>
Endowment net assets - end of year	895,176	771,760
Less permanently restricted net assets	(100,000)	(100,000)
Less temporarily restricted net assets	<u>(74,885)</u>	<u>(50,734)</u>
Endowment net assets without restriction	<u>\$ 720,291</u>	<u>\$ 621,026</u>

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

7. *Lease Commitments*

During January 2019, the Organization leased new office space, that expires in March 2024. Under the terms of the operating lease, the Organization pays for certain pass through costs associated with the operation of the building. Rent expense for the years ended June 30, 2021 and 2020, totaled \$101,525 and \$73,441, respectively. During June 2021, the Board of Directors approved terminating the lease. The Organization paid a one-time termination fee of \$25,548. Due to the terms of the lease, the Organization is held responsible to pay the remaining lease term payments through March 15, 2022. Future minimum payments due over the remaining term of the lease are as follows:

<i>Year Ended</i>	<i>Amount</i>
<i>June 30,</i>	
2022	\$ 73,293

8. *Notes Payable*

Paycheck Protection Program

On May 6, 2020 the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (the SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$217,290 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. On February 19, 2021 the Loan was fully forgiven. As of the report dates June 30, 2021 and 2020, \$217,290 of the loan is classified as other income on the *Statement of Activities* and classified as deferred revenue on the *Statement of Financial Position*, respectively.

Second Paycheck Protection Program

On February 2, 2021, the Organization qualified for and received the second round of a loan pursuant to the Paycheck Protection Program, for an aggregate principal amount of \$213,575 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the ten months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

8. Notes Payable-Continued

To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum. As of the report date, June 30, 2021, the \$213,575 loan is classified as deferred revenue on the *Statement of Financial Position*. The loan was subsequently forgiven on August 13th 2021.

Economic Injury and Disaster Loan

On June 11, 2020, the Organization qualified for and received an Economic Injury and Disaster Loan from the SBA in the amount of \$17,400 with an interest rate of 2.75% per annum. Monthly payments of principal and interest began in May 2021 in the amount of \$75. During April 2021, the Board approved the loan payoff in full.

Achievement Foundation

On May 18, 2020, the Organization entered into an unsecured non-interest bearing note payable with the Achievement Foundation in the amount of \$50,000. Payments in the amount of \$4,167 are due quarterly starting June 2021. The note matures in March 2024.

Future minimum payments due over the remaining term of the Achievement Foundation are as follows:

<i>Year Ended</i>	<i>Amount</i>
<i>June 30,</i>	
2022	\$ 16,667
2023	16,667
2024	12,500

9. Inkind Contributions

In-kind contributions of services and materials to support programs and special events have been recorded at fair value as both revenue and expense in the accompanying *Statements of Activities*. For the years ended June 30, 2021 and 2020, in-kind contributions totaled \$89,917 and \$9,696, respectively.

10. Related Party Transactions

The Organization pays Junior Achievement USA (JA USA) an annual license fee calculated as a percentage of revenues generated. License fee expense for the years ended June 30, 2021 and 2020, was \$139,674 and \$103,718, respectively. The Organization also purchases insurance and certain program materials from JA USA. Such purchases for the years ended June 30, 2021 and 2020, amounted to \$28,510 and \$72,099 respectively.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

10. *Related Party Transactions-Continued*

The Organization also made payments to other Junior Achievement affiliates for conferences and member dues. Fees paid to affiliates for the years ended June 30, 2021 and 2020, amounted to \$600 and \$780, respectively.

Amounts due to JA USA at June 30, 2021 and 2020, totaled \$15,564 and \$6,884, respectively.

During 2021, the Organization received a contributions from JA Worldwide in the amount of \$13,011.

11. *Concentrations of Credit Risk*

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

The Organization’s bank account is held at a financial institution that is FDIC insured up to the maximum amount of \$250,000 per depositor. The balance on deposits in this account may exceed this insured limit at times during the fiscal year. The Organization has not experienced any losses in this account, and management believes that the Organization is not exposed to any significant credit risk on cash.

12. *Net Assets with Donor Restrictions*

The Organization’s net assets with donor restrictions at June 30, 2021 and 2020 consisted of the following:

<i>Description</i>	<i>2021</i>	<i>2020</i>
Net appreciation on endowment investments	\$ 74,885	\$ 50,734
Program restricted	<u>668,821</u>	<u>345,451</u>
Total	<u>\$ 743,706</u>	<u>\$ 396,185</u>

Additionally, the Organization has received public gifts with specific donor stipulations requiring that the principal be held in perpetuity and that only a portion of the income therefrom be used for specific program purposes. These resources are, by act of Congress, under the control of the board of directors who are required to maintain and invest the funds. The balance of net assets with donor restrictions held in perpetuity at June 30, 2021 and 2020 is \$100,000 for both the years ended.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2021 and 2020

13. *Availability and Liquidity*

The table below presents the Organization’s financial assets available within one year to meet its general expenditures at June 30, 2021.

Financial assets at year end

Cash and cash equivalents	\$ 421,614
Accounts receivable	134,211
Pledges receivable	435,520
Investments, at fair value	<u>886,104</u>
Total financial assets	1,877,449

Less amounts not available to be used within one year

Net assets with donor restrictions	<u>(843,706)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,033,743</u>

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization maintains a line of credit in the amount of \$376,351, which could be drawn upon in the event of an unanticipated liquidity need (see Note 4).

14. *Risk and Uncertainties*

During 2020, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Organization’s donors, members, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for the Organization’s services and harm the Organization’s business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on the Organization’s business cannot be quantified.

15. *Subsequent Events*

The Organization has evaluated subsequent events through November 17, 2021 which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2021, that requires recognition or disclosure in these financial statements.