

**JUNIOR ACHIEVEMENT OF
SOUTH CENTRAL PENNSYLVANIA, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020
AND
INDEPENDENT AUDITOR'S REPORT**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

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For the Years Ended June 30, 2021 and 2020

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HAMILTON & MUSSER, PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Junior Achievement of
South Central Pennsylvania, Inc.
York, Pennsylvania

Opinion

We have audited the accompanying financial statements of Junior Achievement of South Central Pennsylvania, Inc. (a nonprofit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of South Central Pennsylvania, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Junior Achievement of South Central Pennsylvania, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As further explained in Note 23, Junior Achievement of South Central Pennsylvania, Inc. is operating in an environment that has been economically impacted by the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Junior Achievement of South Central Pennsylvania, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Members of the American and Pennsylvania Institutes of CPAs

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Junior Achievement of South Central Pennsylvania, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Junior Achievement of South Central Pennsylvania, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

November 4, 2021

Mechanicsburg, Pennsylvania



Certified Public Accountants

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and Cash Equivalents	\$ 62,485	\$ 13,930
Accounts Receivable (Note 5)	266,000	12,155
Promises to Give (Note 6)	123,115	259,271
Prepaid Expenses	21,850	13,339
Beneficial Interest in Assets Held by Community Foundations (Note 8)	28,298	22,275
Inventory	50,970	47,344
Certificate of Deposit – With Donor Restrictions	1,000	1,000
Fixed Assets, Net (Note 9)	<u>609,524</u>	<u>688,959</u>
 Total Assets	 <u>\$ 1,163,242</u>	 <u>\$ 1,058,273</u>
 Liabilities		
Accounts Payable	\$ 21,369	\$ 1,850
Accrued Expenses	26,790	17,137
Lines of Credit (Note 10)	-	100,000
Mortgage Payable (Note 11)	-	106,144
Capital Leases Payables (Note 12)	35,649	25,265
Payroll Liabilities	8,532	2,684
Deferred Revenue	<u>5,000</u>	<u>-</u>
 Total Liabilities	 <u>97,340</u>	 <u>253,080</u>
 Net Assets		
Without Donor Restrictions	907,919	517,077
With Donor Restrictions (Note 14)	<u>157,983</u>	<u>288,116</u>
 Total Net Assets	 <u>1,065,902</u>	 <u>805,193</u>
 Total Liabilities and Net Assets	 <u>\$ 1,163,242</u>	 <u>\$ 1,058,273</u>

The Accompanying Notes are an Integral Part of the Financial Statements

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Statement of Activities
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Contributions	\$ 761,675	\$ 123,115	\$ 884,790
Government Grants	452,389	-	452,389
Interest Income	83	-	83
Change in Value of Beneficial Interest in Assets Held by Community Foundations (Note 7)	-	6,023	6,023
Special Events	29,109	-	29,109
Program Revenue	149,299	-	149,299
Miscellaneous Income	5,758	-	5,758
Net Assets Released from Restrictions	<u>259,271</u>	<u>(259,271)</u>	<u>-</u>
Total Operating Support and Revenue	<u>1,657,584</u>	<u>(130,133)</u>	<u>1,527,451</u>
Operating Expenses			
Program Services	1,196,017	-	1,196,017
Supporting Services			
Management and General	96,350	-	96,350
Fundraising	<u>152,004</u>	<u>-</u>	<u>152,004</u>
Total Operating Expenses	<u>1,444,371</u>	<u>-</u>	<u>1,444,371</u>
Non-Operating Revenue			
Paycheck Protection Program Loan Forgiveness (Note 13)	-	177,629	177,629
Net Assets Released from Restrictions	<u>177,629</u>	<u>(177,629)</u>	<u>-</u>
Total Non-Operating Revenue	<u>177,629</u>	<u>-</u>	<u>177,629</u>
Change in Net Assets	390,842	(130,133)	260,709
Net Assets, Beginning of Year	<u>517,077</u>	<u>288,116</u>	<u>805,193</u>
Net Assets, End of Year	<u>\$ 907,919</u>	<u>\$ 157,983</u>	<u>\$ 1,065,902</u>

The Accompanying Notes are an Integral Part of the Financial Statements

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Statement of Activities
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Contributions	\$ 878,826	\$ 219,271	\$ 1,098,097
Government Grants	260,000	-	260,000
In-Kind Contributions (Note 4)	1,666	-	1,666
Change in Value of Beneficial Interest in Assets Held by Community Foundations (Note 7)	-	(2,114)	(2,114)
Special Events	214,205	-	214,205
Program Revenue	85,715	-	85,715
Net Assets Released from Restrictions	<u>395,686</u>	<u>(395,686)</u>	<u>-</u>
Total Operating Support and Revenue	<u>1,836,098</u>	<u>(178,529)</u>	<u>1,657,569</u>
Operating Expenses			
Program Services	1,647,409	-	1,647,409
Supporting Services			
Management and General	80,723	-	80,723
Fundraising	<u>144,032</u>	<u>-</u>	<u>144,032</u>
Total Operating Expenses	<u>1,872,164</u>	<u>-</u>	<u>1,872,164</u>
Non-Operating Revenue			
Paycheck Protection Program Loan Forgiveness (Note 13)	-	121,000	121,000
Net Assets Released from Restrictions	<u>121,000</u>	<u>(121,000)</u>	<u>-</u>
Total Non-Operating Revenue	<u>121,000</u>	<u>-</u>	<u>121,000</u>
Change in Net Assets	84,934	(178,529)	(93,595)
Net Assets, Beginning of Year	<u>432,143</u>	<u>466,645</u>	<u>898,788</u>
Net Assets, End of Year	<u>\$ 517,077</u>	<u>\$ 288,116</u>	<u>\$ 805,193</u>

The Accompanying Notes are an Integral Part of the Financial Statements

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Bad Debt Expense	\$ -	\$ -	\$ 24,049	\$ 24,049
Depreciation and Amortization	94,050	5,560	3,206	102,816
Dues and Subscriptions	1,550	200	500	2,250
Education Materials	30,333	-	-	30,333
Information Technology	31,000	2,000	2,724	35,724
Insurance Expense	36,450	3,345	946	40,741
Interest Expense	13,222	578	400	14,200
Office Expense	11,240	6,244	2,221	19,705
Other Employee Benefits	31,998	2,444	690	35,132
Participation Fee	173,293	-	-	173,293
Payroll Taxes	62,450	3,890	1,643	67,983
Professional Services	-	24,620	-	24,620
Rent Expense	1,350	-	1,259	2,609
Repairs and Maintenance	2,739	-	-	2,739
Salaries and Wages	688,888	46,455	108,844	844,187
Special Events	-	-	5,013	5,013
Training and Travel	3,577	-	67	3,644
Utilities	13,877	1,014	442	15,333
Total	<u>\$ 1,196,017</u>	<u>\$ 96,350</u>	<u>\$ 152,004</u>	<u>\$ 1,444,371</u>

The Accompanying Notes are an Integral Part of the Financial Statements

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Bad Debt Expense	\$ -	\$ -	\$ 13,590	\$ 13,590
Depreciation and Amortization	91,222	4,765	2,343	98,330
Dues and Subscriptions	1,550	288	706	2,544
Education Materials	176,938	-	-	176,938
Information Technology	4,500	-	447	4,947
Insurance Expense	32,467	3,345	1,853	37,665
Interest Expense	22,599	4,200	712	27,511
Office Expense	28,600	754	6,987	36,341
Other Employee Benefits	46,100	3,200	6,277	55,577
Participation Fee	168,532	-	-	168,532
Payroll Taxes	67,500	1,931	9,255	78,686
Professional Services	-	13,665	-	13,665
Rent Expense	8,200	-	4,764	12,964
Repairs and Maintenance	16,829	-	460	17,289
Salaries and Wages	937,450	47,445	72,895	1,057,790
Special Events	-	-	19,256	19,256
Training and Travel	23,443	-	3,818	27,261
Utilities	21,479	1,130	669	23,278
Total	<u>\$ 1,647,409</u>	<u>\$ 80,723</u>	<u>\$ 144,032</u>	<u>\$ 1,872,164</u>

The Accompanying Notes are an Integral Part of the Financial Statements

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 260,709	\$ (93,595)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation and Amortization	102,816	98,330
Write-Off of Uncollectible Promises to Give	24,049	13,590
In-Kind Contributions – Equipment	-	(1,666)
Paycheck Protection Program Loan Forgiveness	(177,629)	(121,000)
Change in Value of Beneficial Interest in Assets Held by Community Foundations	(6,023)	2,114
Change in Unamortized Discount of Promises to Give	-	(3,726)
(Increase) Decrease:		
Accounts Receivable	(253,845)	19,712
Promises to Give, Net	112,107	166,551
Prepaid Expenses	(10,058)	(4,076)
Inventory	(3,626)	3,722
Increase (Decrease):		
Accounts Payable	19,519	(6,802)
Accrued Expenses	9,653	8,037
Payroll Liabilities	5,848	(9,148)
Deferred Revenue	<u>5,000</u>	<u>-</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>88,520</u>	<u>72,043</u>
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	<u>(3,961)</u>	<u>(23,237)</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(3,961)</u>	<u>(23,237)</u>
Cash Flows from Financing Activities:		
Proceeds from Line of Credit	201,246	179,692
Payments on Lines of Credit	(301,246)	(338,677)
Proceeds from Paycheck Protection Program Loan	177,629	121,000
Principal Payments on Mortgage Payable	(106,144)	(4,625)
Principal Payments on Capital Leases Payable	<u>(7,489)</u>	<u>(5,270)</u>
Net Cash and Cash Equivalents Used by Financing Activities	<u>(36,004)</u>	<u>(47,880)</u>
Net Increase in Cash and Cash Equivalents	48,555	926
Cash and Cash Equivalents, Beginning of Year	<u>13,930</u>	<u>13,004</u>
Cash and Cash Equivalents, End of Year	<u>\$ 62,485</u>	<u>\$ 13,930</u>
<u>Supplemental Cash Flow Disclosures</u>		
Cash Paid for Interest	\$ 14,200	\$ 27,511
Cash Paid for Taxes	-	-
<u>Supplemental Non-Cash Investing and Financing Activities</u>		
Non-Cash Debt Financing on Capital Lease	\$ 17,873	\$ 28,905

The Accompanying Notes are an Integral Part of the Financial Statements

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Junior Achievement of South Central Pennsylvania, Inc. (the Organization) is a nonprofit organization whose purpose is to provide elementary through high school students with practical economic education about the private enterprise system. Area businesses and educational organizations participate with students to achieve this objective. The Organization focuses on several regions – Harrisburg, Lancaster, Lebanon, and York. Revenues are derived principally from the Organization's fundraising events, contributions, and government grants.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Accounts Receivable:

Accounts receivable are stated at outstanding balance. The Organization considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Promises to Give:

Promises to give are stated at their outstanding balance. Promises to give are recognized when the Organization is notified of the promises. The Organization considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Promises to give that are receivable in more than one year from the Statement of Financial Position date are discounted to present value, if the related discount is considered significant, using a risk-adjusted rate.

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Assets Held by Community Foundations:

Beneficial interest in assets held by community foundations is reported at fair value as determined by the community foundations.

Fixed Assets:

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased fixed assets are recorded at cost. Donated fixed assets are recorded at fair value at the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the respective assets.

Inventory:

Inventories are recorded at the lower of cost (determined on the first-in, first-out basis) or market value. Inventories include educational materials for volunteers to use.

Contributions:

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. However, if restrictions expire for net assets with donor restrictions in the same year that the contribution is received, then the contribution is recorded without donor restriction on the Statements of Activities.

Paycheck Protection Program Loan:

The Organization has elected to account the Paycheck Protection Program Loan as donor-restricted contributions up to the amount eligible for loan forgiveness in accordance with FASB ASC 958-605.

Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes:

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section in the Pennsylvania Revenue Code. Therefore, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in these financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before June 30, 2018.

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 2 PENDING NEW ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued ASU No. 2016-02, *Leases*. The ASU introduces a lessee's model that brings most leases onto the Statement of Financial Position and aligns many of the underlying principles of the new lessor model with those in the new revenue recognition standard (ASU No. 2014-09). ASU No. 2016-02 is effective for annual periods beginning after December 15, 2021. The Organization is currently assessing the impact this standard will have on its financial statements.

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 62,485	\$ 13,930
Certificate of Deposit	1,000	1,000
Accounts Receivable	266,000	12,155
Promises to Give	123,115	259,271
Beneficial Interest in Assets Held by Community Foundations	<u>28,298</u>	<u>22,275</u>
Total Financial Assets	<u>480,898</u>	<u>308,631</u>
Less Amounts Not Available to be Used Within One Year		
Net Assets with Donor Restrictions, Net of Promises to Give to be Received Within One Year	<u>34,868</u>	<u>63,845</u>
Financial Assets Available to Meet Expenses Over the Next Year	<u>\$ 446,030</u>	<u>\$ 244,786</u>

The Organization's plan is generally to maintain financial assets to meet 90 days of operating expenses. As described in Note 10, the Organization also has two committed lines of credit in the total amount of \$605,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 4 NON-CASH CONTRIBUTIONS

A substantial number of volunteers have donated their time to the Organization's program services and fundraising campaigns during the year. The value of donated services is reflected in the accompanying financial statements if the services meet the criteria for recognition under the *Not-For-Profit Accounting for Contributions* topic of the FASB ASC (Topic 958).

The values of donated materials and other assets are recorded and reflected in the accompanying financial statements at their fair market values at the date of receipt.

Non-cash contributions consist of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Equipment	\$ -	\$ 1,666
Total	<u>\$ -</u>	<u>\$ 1,666</u>

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020**NOTE 5 ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Program Fees – JA Inspire	\$ 16,000	\$ -
Grants Receivable	250,000	-
Program Fees – Biztown	<u>-</u>	<u>12,155</u>
Total	<u>\$ 266,000</u>	<u>\$ 12,155</u>

NOTE 6 PROMISES TO GIVE

Promises to give consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Promises to Give – General Operations	\$ 123,115	\$ 219,271
Promises to Give – Empower the Future Campaign	<u>-</u>	<u>40,000</u>
Total	<u>\$ 123,115</u>	<u>\$ 259,271</u>

Assuming no change in current terms, the following promises to give are due in:

	<u>2021</u>	<u>2020</u>
Less Than One Year	\$ 123,115	\$ 224,271
One Year to Five Years	<u>-</u>	<u>35,000</u>
Total	<u>\$ 123,115</u>	<u>\$ 259,271</u>

NOTE 7 FAIR VALUE MEASUREMENTS

In accordance with accounting principles generally accepted in the United States of America, the Fair Value Measurements topic of the FASB ASC established a 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 as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices available in active markets for identical investments as of the reporting date.

Level 2: Inputs to the valuation methodology are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

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

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

An asset or liability's level within the fair value hierarchy is based on the lowest level of 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.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2021 and 2020.

Beneficial interest in assets held by community foundations is valued at an amount determined by the foundations based on the performance of underlying investments as well as an administrative fee.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	<u>Assets at Fair Value as of June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by Community Foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,298</u>	<u>\$ 28,298</u>

	<u>Assets at Fair Value as of June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial Interest in Assets Held by Community Foundations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,275</u>	<u>\$ 22,275</u>

Change in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2021 and 2020, there were no transfers in or out of Level 3.

For assets falling within the Level 3 in the fair value hierarchy, the activity recognized during the years ended June 30, 2021 and 2020 is as follows:

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

	Beneficial Interest in Assets Held by <u>Community Foundations</u>
Balance as of June 30, 2019	\$ 24,389
Unrealized Losses	<u>(2,114)</u>
Balance as of June 30, 2020	22,275
Unrealized Gains	<u>6,023</u>
Balance as of June 30, 2021	<u>\$ 28,298</u>

The unrealized gains and losses for interest in net assets of community foundations, classified as Level 3, are included as change in net assets of community foundations in the Statements of Activities.

NOTE 8 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS

The Organization is the beneficiary of endowment funds of The York County Community Foundation and Lancaster County Community Foundation (the Foundations). As beneficiary, the Organization is entitled to annual distributions from the funds, based upon the Foundations' spending policy. The Foundations maintain variance power only over distributions from the funds.

The organizational endowment funds created by the Organization are reflected in the Statements of Financial Position as interest in net assets of community foundations. Future contributions are at the discretion of the Board of Trustees of the Organization.

In addition to the organizational endowment funds, contributions made by third parties directly to the Foundations created designated endowment funds, which are not assets of the Organization. The designated funds, therefore, are not reflected in the Statements of Financial Position. The Foundations maintain variance power over these designated endowment funds. The Organization receives information on the value of the funds on an annual basis. The balance of the Foundations' funds in which the Organization is currently designated by the contributor as the beneficiary amounted to \$28,298 and \$22,275 at June 30, 2021 and 2020, respectively, which includes the funds' accumulated investment earnings in excess of annual distributions and fees.

The Organization also has a designated endowment fund with Lancaster County Community Foundation. The Organization receives income from this foundation endowment fund maintained by Lancaster County Community Foundation. The endowment fund principal and current year contributions received by the endowment foundation are not recorded as assets or income by the Organization as the Organization does not have title to, or control of, these funds. On an annual basis, the income from the foundation endowment funds is distributed to the Organization and recorded as contributions. The Organization received \$733 and \$1,020 during the years ended June 30, 2021 and 2020, respectively.

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Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 9 FIXED ASSETS

Fixed assets consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Buildings and Improvements	\$ 1,435,143	\$ 1,435,143
Equipment	187,275	167,603
Furniture and Fixtures	<u>81,555</u>	<u>79,394</u>
	1,703,973	1,682,140
Less: Accumulated Depreciation	<u>(1,094,449)</u>	<u>(993,181)</u>
Fixed Assets, Net	<u>\$ 609,524</u>	<u>\$ 688,959</u>

The useful lives for purposes of computing depreciation are as follows:

Buildings and Improvements	5-39 Years
Equipment	5-7 Years
Furniture and Fixtures	5-10 Years

Depreciation expense was \$91,337 and \$91,408 for the years ended June 30, 2021 and 2020, respectively.

NOTE 10 LINES OF CREDIT

The Organization has a line of credit of \$430,000 with a financial institution. The line of credit bears variable interest at the *Wall Street Journal* Prime Rate, plus ½ of one percent with a floor of 5.00% (5.00% and 6.00% as of June 30, 2021 and 2020, respectively); interest is payable on a monthly basis. The line of credit is secured by all property of the Organization. The outstanding balance on this line of credit amounted to \$0 and \$100,000 at June 30, 2021 and 2020, respectively. Interest expense was \$4,995 and \$19,376 for the years ended June 30, 2021 and 2020, respectively.

The Organization established a line of credit of \$175,000 with a financial institution. The line of credit bears variable interest at the *Wall Street Journal* Prime Rate, plus ½ of one percent with a floor rate of 5.00%, and interest is payable monthly. The line of credit is secured by all property of the Organization. There was no outstanding balance at June 30, 2021 and 2020. Interest expense was \$0 and \$848 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 MORTGAGE PAYABLE

During 2018, the Organization secured a mortgage from Peoples Bank for \$150,000. The loan called for monthly installments of \$974 with a fixed interest rate of 6.39%. A balloon payment was due in March 2024 for the remaining principal and interest. The mortgage was secured by a second lien on the property. The balance of the mortgage payable was \$0 and \$106,144 at June 30, 2021 and 2020, respectively. The mortgage payable was paid off during the year ended June 30, 2021.

Interest expense related to the mortgage payable was \$5,960 and \$7,059 for the years ended June 30, 2021 and 2020, respectively.

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 12 CAPITAL LEASES PAYABLE

In 2016, the Organization entered into a capital lease agreement for a copier calling for monthly payments of \$482 at an interest rate of 3.5%. The lease was terminated in 2020.

In 2020, the Organization entered into a capital lease agreement for a server calling for 60 monthly payments of \$321 at an interest rate of 3.0%. Future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments, consist of the following for the years ending June 30:

2022	\$	3,854
2023		3,854
2024		3,854
2025		3,854
2026		<u>962</u>
Amount Representing Interest		<u>(1,019)</u>
Total	\$	<u>15,359</u>

In 2020, the Organization entered into a capital lease agreement for a copier calling for 60 monthly payments of \$482 at an interest rate of 3.0%. Future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments, consist of the following for the years ending June 30:

2022	\$	5,781
2023		5,781
2024		5,781
2025		<u>4,337</u>
Amount Representing Interest		<u>(1,390)</u>
Total	\$	<u>20,290</u>

The net book value of equipment under capital lease consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Equipment Under Capital Leases, At Cost	\$ 48,612	\$ 30,739
Accumulated Amortization	<u>(11,567)</u>	<u>(1,844)</u>
Total	<u>\$ 37,045</u>	<u>\$ 28,895</u>

The associated leased equipment is included in fixed assets. Amortization expense amounted to \$9,723 and \$5,375 for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 PAYCHECK PROTECTION PROGRAM LOANS

On February 18, 2021, as part of the CARES Act, the Organization received a Paycheck Protection Program loan from the Small Business Administration for \$177,629. The Organization has met the Program's eligibility criteria as of June 30, 2021, and will apply for the loan forgiveness feature. Therefore, in accordance with FASB ASC 958-605, the Organization is including these funds as a restricted contribution on the June 30, 2021 Statement of Activities.

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 13 PAYCHECK PROTECTION PROGRAM LOANS (CONTINUED)

On April 13, 2020, as part of the CARES Act, the Organization received a Paycheck Protection Program loan from the Small Business Administration for \$121,000. The Organization has met the Program's eligibility criteria as of June 30, 2020. The Organization applied for and received full forgiveness on this loan subsequent to June 30, 2020. Therefore, in accordance with FASB ASC 958-605, the Organization has included these funds as a restricted contribution on the June 30, 2020 Statement of Activities.

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

Purpose and time restricted net assets consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Promises to Give – General Operations	\$ 123,115	\$ 219,271
Promises to Give – Empower the Future Campaign	-	40,000
Merle Phillips Scholarship Fund	<u>5,570</u>	<u>5,570</u>
Total Purpose and Time Restricted Net Assets	<u>128,685</u>	<u>264,841</u>

Perpetually restricted net assets consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Certificate of Deposit	\$ 1,000	\$ 1,000
Beneficial Interest in Assets Held by Community Foundations	<u>28,298</u>	<u>22,275</u>
Total Perpetually Restricted Net Assets	<u>29,298</u>	<u>23,275</u>
Total Net Assets with Donor Restrictions	<u>\$ 157,983</u>	<u>\$ 288,116</u>

NOTE 15 CONCENTRATIONS AND MAJOR CONTRIBUTORS

The Organization derives substantially all of its support from individuals and corporate sponsors located in the South Central Pennsylvania area.

The Organization receives substantial financial contributions from a few major individual contributors. These contributions enable the Organization to operate programs and provide services. Any decrease in contributions by the major contributors would cause financial hardship to the Organization and limit the Organization's ability to continue to operate programs and provide services.

NOTE 16 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization's accounts at a financial institution may have exceeded the insurance obtained through the FDIC from time to time throughout the year. There was no amount in excess of the FDIC limit at June 30, 2021 and 2020.

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Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

NOTE 17 RELATED PARTIES

The Organization has the following transactions with members of its Board of Trustees and related companies for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Contributions	\$ <u>122,611</u>	\$ <u>411,947</u>
Promises to Give	\$ <u>10,000</u>	\$ <u>88,670</u>

NOTE 18 RETIREMENT PLAN

The Organization provides a SEP IRA to qualified employees. Contributions for covered employees are discretionary based on gross wages. There were no contributions during the years ended June 30, 2021 and 2020.

In the past, the Organization offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by Junior Achievement USA (JA USA).

The Organization had committed to JA USA to fund the Plan at a level of \$14,911 per year. The Plan froze contributions at June 30, 2020. A liability has not been recorded since the length of the term has not been determined. The Organization paid \$0 and \$14,911 to JA USA during the years ended June 30, 2021 and 2020, respectively.

NOTE 19 HEALTH AND WELFARE BENEFITS TRUST AND POSTRETIREMENT BENEFITS PLAN

The Organization participates in JA USA's Health and Welfare Plan. The Plan covers medical, dental, and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization, Junior Achievement Worldwide, Inc., and employees of JA 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 JA 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.

The Health and Welfare Plan also offers health care benefits to retired personnel of the participating employers. 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.

The Organization's premium expense for the Health and Welfare Plan amounted to \$35,132 and \$40,666 for the years ended June 30, 2021 and 2020, respectively.

NOTE 20 PARTICIPATION FEE

The Organization has entered into a contractual agreement with JA USA for a monthly participation fee based on revenues. Also, a per student participation fee was paid to the same organization. During 2020, there was a fee restructure with JA USA which decreased kit prices and raised the participation fee for the Organization. Participation expense was \$173,293 and \$168,532 for the fiscal years ended June 30, 2021 and 2020, respectively.

JUNIOR ACHIEVEMENT OF SOUTH CENTRAL PENNSYLVANIA, INC.

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

NOTE 21 OPERATING LEASES

The Organization has operating leases for its office spaces with varying terms. These leases were terminated during the year ended June 30, 2021. Rent expense amounted to \$2,609 and \$12,964 during the years ended June 30, 2021 and 2020, respectively.

NOTE 22 RECLASSIFICATIONS

Certain information in the 2020 financial statements and related footnotes contain reclassifications and modifications necessary to make that information comparable to information presented in the 2021 financial statements. There were no changes to total changes in net assets or total net assets.

NOTE 23 SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 4, 2021, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2021, the Organization has been operating in an environment that has been economically impacted by the COVID-19 pandemic. The full impact of the pandemic on the Organization is not known as of the release of these financial statements. However, management is monitoring the current conditions and their potential impact.