



JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
Junior Achievement of New York, Inc.:

We have audited the accompanying statements of financial position of Junior Achievement of New York, Inc. (JA New York) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of JA New York's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JA New York's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of New York, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 15, 2012

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Financial Position

June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 204,147	163,483
Contributions and special events receivables (note 3)	796,764	761,191
Inventory	23,431	24,838
Prepaid expenses and other assets	30,303	24,280
Total current assets	1,054,645	973,792
Long-term assets:		
Long-term contributions receivables (pledges), net (note 3)	707,558	858,952
Fixed assets, net (note 4)	194,669	10,717
Prepaid expenses and other assets (note 6)	99,765	—
Total long-term assets	1,001,992	869,669
Total assets	\$ 2,056,637	1,843,461
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses (note 10)	\$ 281,275	222,276
Deferred revenue	—	10,000
Obligation under capital lease (note 6)	28,336	—
Deferred rent obligation (note 6)	—	26,652
Total current liabilities	309,611	258,928
Long-term liabilities:		
Obligation under capital lease (note 6)	44,676	—
Deferred rent obligation (note 6)	111,328	—
Total liabilities	465,615	258,928
Unrestricted net assets	426,696	372,028
Temporarily restricted net assets (note 5)	1,164,326	1,212,505
Total net assets	1,591,022	1,584,533
Total liabilities and net assets	\$ 2,056,637	1,843,461

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Activities

Years ended June 30, 2012 and 2011

	2012			2011				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating support and revenue:								
Contributions, net of participation payments of \$35,477 and \$52,968 in 2012 and 2011, respectively (note 3):								
Corporate	\$ 472,210	418,743	—	890,953	544,719	440,590	—	985,309
Individual	170,194	—	—	170,194	182,623	—	—	182,623
Foundations	91,361	58,413	—	149,774	157,426	56,886	—	214,312
Total contributions, net	<u>733,765</u>	<u>477,156</u>	<u>—</u>	<u>1,210,921</u>	<u>884,768</u>	<u>497,476</u>	<u>—</u>	<u>1,382,244</u>
Special events income (note 3)	2,535,276	—	—	2,535,276	2,209,031	—	—	2,209,031
Special events expenses and participation payments	(639,429)	—	—	(639,429)	(520,627)	—	—	(520,627)
Special event income, net	1,895,847	—	—	1,895,847	1,688,404	—	—	1,688,404
In-kind contributions (note 8)	355,171	—	—	355,171	700,520	—	—	700,520
Interest and other income	7,835	—	—	7,835	2,587	—	—	2,587
Net assets released from restriction	525,335	(525,335)	—	—	554,376	(554,376)	—	—
Total operating support and revenue	<u>3,517,953</u>	<u>(48,179)</u>	<u>—</u>	<u>3,469,774</u>	<u>3,830,655</u>	<u>(56,900)</u>	<u>—</u>	<u>3,773,755</u>
Operating expenses:								
Program services - Education programs	2,279,255	—	—	2,279,255	2,416,753	—	—	2,416,753
Supporting services:								
Management and general	389,393	—	—	389,393	445,685	—	—	445,685
Fund-raising:								
Volunteer recruiting costs	27,793	—	—	27,793	177,472	—	—	177,472
General solicitation of funds	765,844	—	—	765,844	667,512	—	—	667,512
Total fund-raising expenses	<u>793,637</u>	<u>—</u>	<u>—</u>	<u>793,637</u>	<u>844,984</u>	<u>—</u>	<u>—</u>	<u>844,984</u>
Total supporting services	<u>1,183,030</u>	<u>—</u>	<u>—</u>	<u>1,183,030</u>	<u>1,290,669</u>	<u>—</u>	<u>—</u>	<u>1,290,669</u>
Total operating expenses	<u>3,462,285</u>	<u>—</u>	<u>—</u>	<u>3,462,285</u>	<u>3,707,422</u>	<u>—</u>	<u>—</u>	<u>3,707,422</u>
Nonoperating activities:								
Losses on pledges	(1,000)	—	—	(1,000)	(2,180)	—	—	(2,180)
Total nonoperating activities	<u>(1,000)</u>	<u>—</u>	<u>—</u>	<u>(1,000)</u>	<u>(2,180)</u>	<u>—</u>	<u>—</u>	<u>(2,180)</u>
Increase (decrease) in net assets	54,668	(48,179)	—	6,489	121,053	(56,900)	—	64,153
Net assets at beginning of year	372,028	1,212,505	—	1,584,533	250,975	1,269,405	—	1,520,380
Net assets at end of year	<u>\$ 426,696</u>	<u>1,164,326</u>	<u>—</u>	<u>1,591,022</u>	<u>372,028</u>	<u>1,212,505</u>	<u>—</u>	<u>1,584,533</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statement of Functional Expenses

Year ended June 30, 2012

	Program services		Supporting services		Total	Total	Special events expense	Participation payments
	Education programs	Management and general	Fund-raising – volunteer recruiting	Fund-raising – general solicitation				
Salaries and benefits (note 7)	\$ 1,407,851	239,705	21,630	499,175	760,510	2,168,361	—	—
Office and occupancy (note 6)	281,781	47,686	4,335	99,707	151,728	433,509	—	—
Travel, meetings, and conferences	24,284	4,110	374	8,592	13,076	37,360	—	—
Program materials	322,475	—	—	—	—	322,475	—	—
Outside services	69,085	11,692	1,063	24,446	37,201	106,286	583,939	—
Depreciation	25,430	4,304	391	8,998	13,693	39,123	—	—
Donated goods and services (note 8)	148,349	81,896	—	124,926	206,822	355,171	—	—
Participation payments	—	—	—	—	—	—	—	90,967
	<u>\$ 2,279,255</u>	<u>389,393</u>	<u>27,793</u>	<u>765,844</u>	<u>1,183,030</u>	<u>3,462,285</u>	<u>583,939</u>	<u>90,967</u>
Summary of expenses netted from revenue on statement of activities								
	Total	Special events expenses	Participation payments					
Contributions	\$ 35,477	—	35,477					
Special events	639,429	583,939	55,490					
	<u>\$ 674,906</u>	<u>583,939</u>	<u>90,967</u>					

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statement of Functional Expenses

Year ended June 30, 2011

	Program services		Supporting services		Total	Total	Special events expense	Participation payments
	Education programs	Management and general	Fund-raising – volunteer recruiting	Fund-raising – general solicitation				
Salaries and benefits (note 7)	\$ 1,314,888	262,978	40,458	404,581	708,017	2,022,905	—	—
Office and occupancy (note 6)	260,021	52,004	8,001	80,006	140,011	400,032	—	—
Travel, meetings, and conferences	24,124	4,825	742	7,423	12,990	37,114	—	—
Program materials	368,869	—	—	—	—	368,869	—	—
Outside services	63,358	12,672	1,949	19,494	34,115	97,473	477,289	—
Depreciation	52,329	10,466	1,610	16,100	28,176	80,505	—	—
Donated goods and services (note 8)	333,164	102,740	124,712	139,908	367,360	700,524	—	—
Participation payments	—	—	—	—	—	—	—	96,306
	<u>\$ 2,416,753</u>	<u>445,685</u>	<u>177,472</u>	<u>667,512</u>	<u>1,290,669</u>	<u>3,707,422</u>	<u>477,289</u>	<u>96,306</u>
Summary of expenses netted from revenue on statement of activities								
	Total	Special events expenses	Participation payments					
Contributions	\$ 52,968	—	52,968					
Special events	520,627	477,289	43,338					
	<u>\$ 573,595</u>	<u>477,289</u>	<u>96,306</u>					

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Cash Flows

Years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase in net assets	\$ 6,489	64,153
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	39,123	80,505
Losses on pledges	1,000	2,180
Changes in assets and liabilities:		
Contributions and special events receivables, net	114,821	(230,375)
Inventory	1,407	12,769
Prepaid expenses and other assets	(105,788)	(22,234)
Accounts payable and accrued expenses	58,999	(7,328)
Deferred revenue	(10,000)	(25,000)
Deferred rent obligation	84,676	(35,474)
Net cash provided by (used in) operating activities	190,727	(160,804)
Cash flows from investing activity:		
Purchase of fixed assets	(130,424)	—
Net cash used in investing activity	(130,424)	—
Cash flows from financing activities:		
Short-term borrowings	240,000	—
Repayments of short-term borrowings	(240,000)	(200,000)
Payments on obligation under capital lease	(19,639)	—
Net cash used in financing activities	(19,639)	(200,000)
Net increase (decrease) in cash and cash equivalents	40,664	(360,804)
Cash and cash equivalents at beginning of year	163,483	524,287
Cash and cash equivalents at end of year	\$ 204,147	163,483
Supplemental disclosure:		
Acquisition of equipment through capital leases	\$ 92,651	—

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(1) Description of Organization

The mission of Junior Achievement of New York, Inc. (JA New York) is to inspire and prepare young people to succeed in a global economy. Through a dedicated volunteer network of corporate and community individuals, JA New York provides high-quality K-12 in-school, workplace-based, after-school, and summer educational programs. JA New York educational programs impact important societal issues including youth development, economic development, and education development, and focus on three key content areas: work readiness, entrepreneurship, and financial literacy.

JA New York is a New York not-for-profit corporation and a franchise of JA USA, formerly JA Worldwide. JA New York serves the five boroughs of New York City and Long Island.

(2) Summary of Significant Accounting Policies

The accompanying financial statements of JA New York have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Presentation

JA New York's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, its net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that will be met either by actions of JA New York and/or by the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but permit JA New York to use the income derived from the donated assets. At June 30, 2012 and 2011, there were no permanently restricted net assets.

Revenues and gains and losses on other assets or liabilities are reported as changes in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions.

(b) Cash Equivalents

JA New York considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

(c) Inventory

Inventory is recorded at the lower of cost or market, cost being determined on a first-in, first-out (FIFO) basis. Inventory primarily consists of education and program materials, including Junior Achievement program kits, textbooks, training materials, and related marketing materials.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Management records an allowance for obsolescent inventory based on an analysis of obsolete program and marketing materials.

(d) Fixed Assets

Fixed assets are recorded at cost if purchased, or fair value at date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized on a straight-line basis over the lease term or life of the asset, whichever is shorter.

(e) Contributions

Contributions and special events revenue, which include unconditional promises to give or pledges, are recognized, at fair value, as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional pledges to be paid in future years are discounted to a present value using a risk-adjusted discount rate. Amortization of the discount is recorded as additional contribution revenue over the life of the commitment. Any decreases in the quantity or nature of assets expected to be received subsequent to the initial recognition of the pledge are reported as a loss in the applicable net asset class.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of property and equipment are recorded as increases in unrestricted net assets unless the donor places restrictions on their use.

(f) In-Kind Contributions

In-kind contributions are recognized as revenue and expense or assets at the fair value of those goods and services provided they meet the criteria for recognition. In-kind contributions principally consist of professional services, public relations, and program event space.

(g) Participation Fees

Each franchised Junior Achievement area is required to pay franchise fees (participation payments) to the national organization, JA USA, on all contributions, program contributions, special events income, and certain grant income raised in its territory in accordance with a scale established by the board of directors of JA USA and ratified by the areas. Such amounts are recorded as a reduction of revenue, and amounted to approximately \$91,000 and \$96,000 in fiscal years 2012 and 2011, respectively.

(h) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Significant estimates include the fair value of contributions, including in-kind contributions; the allowance for uncollectible contributions and special events receivable; and the allocation of expenses by functional category. Actual results could differ from those estimates.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(i) ***Income Taxes***

JA New York is a not-for-profit organization that has been classified by the Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. JA New York recognizes the impact of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to JA New York's tax-exempt purpose is subject to tax under Internal Revenue Code Section 511. JA New York did not have any material unrelated business income tax liability for the years ended June 30, 2012 and 2011.

(j) ***Nonoperating Activities***

Nonoperating activities in the accompanying statements of activities include losses on pledges and nonrecurring activities.

(k) ***Functional Allocation of Expenses***

The costs of providing programs and other activities have been summarized by programs and supporting services benefited in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

(l) ***Reclassifications***

Certain prior year balances have been reclassified to conform to the 2012 presentation.

(m) ***Subsequent Events***

In connection with the preparation of the financial statements, JA New York evaluated subsequent events after the statement of financial position date of June 30, 2012 through October 15, 2012, the date the financial statements were available to be issued, and determined that there were no additional matters that are required to be disclosed.

(3) **Contributions and Special Events Revenue and Receivables**

Contributions and special events receivable at June 30, 2012 and 2011 are scheduled to be collected as follows:

	<u>2012</u>	<u>2011</u>
Less than 1 year	\$ 796,764	761,191
1 – 5 years	200,000	400,000
Thereafter	<u>1,000,000</u>	<u>1,000,000</u>
	1,996,764	2,161,191
Unamortized discount (4.59%)	<u>(492,442)</u>	<u>(541,048)</u>
	<u>\$ 1,504,322</u>	<u>1,620,143</u>

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Two pledges accounted for approximately 70% of gross contributions and special events receivable (60% of net contributions and special events receivable) at June 30, 2012. Two pledges accounted for approximately 74% of gross contributions and special events receivable (65% of net contributions and special events receivable) at June 30, 2011.

In fiscal year 2009, JA New York received a \$1 million grant from NASDAQ, originally scheduled to be paid in five equal installments from fiscal year 2010 through 2014. As of June 30, 2012, payments totaling \$600,000 have been received and the remaining payments are scheduled to be received in fiscal year 2013 and 2014. This grant is to support the JA New York Business Plan Competition over the five years. In fiscal year 2009, contributions revenue and receivable were recognized at the present value of the estimated future benefits to be received. The receivable is adjusted annually based on payments and accretion of the discount.

In fiscal year 2008, JA New York received a \$1 million pledge from the Halbert family, which will be partially funded through an irrevocable charitable remainder unitrust. In fiscal year 2008, contributions revenue and receivable were recognized at the present value of the estimated future benefits to be received upon the death of the trust beneficiaries. The receivable is adjusted during the term of the trust for accretion of the discount and other changes in the estimate of future benefits, and is expected to be collected in more than five years.

Contributions and special events revenue in fiscal years 2012 and 2011 include \$291,557 and \$246,822, respectively, collected on behalf of JA New York by JA USA. At June 30, 2012 and 2011, contributions and special events receivables include approximately \$122,700 and \$8,400, respectively, due from JA USA related to such amounts.

Approximately 80% and 78% of contributions and special event revenue during fiscal years 2012 and 2011, respectively, were received from members of the board and their affiliated entities.

(4) Fixed Assets

Fixed assets at June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 167,402	1,107,118
Furniture and fixtures	65,344	189,235
Leasehold improvements	—	88,692
	<u>232,746</u>	<u>1,385,045</u>
Accumulated depreciation and amortization	<u>(38,077)</u>	<u>(1,374,328)</u>
	<u>\$ 194,669</u>	<u>10,717</u>

During 2012, JA New York wrote off \$1,375,374 in fully depreciated fixed assets that were disposed of.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(5) Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2012	2011
Halbert pledge/trust – Inspiring Inner City Youth to Succeed	\$ 533,503	510,091
NASDAQ grant – JA New York Business Plan Competition	365,668	515,875
Programs and other	265,155	186,539
	\$ 1,164,326	1,212,505

(6) Leases

In fiscal year 2012, JA New York entered into a lease agreement for new office space and relocated its headquarters. The lease, which expires in July 2022, includes annual rent escalations and a rent credit equivalent to six months' rent. Rent expense is recorded on a straight-line basis with an associated deferred rent obligation.

The future minimum rental commitments as of June 30, 2012 required under the operating lease are as follows:

Fiscal year:	
2013	\$ 221,477
2014	246,259
2015	251,184
2016	256,208
2017	272,734
Thereafter	1,557,613
	\$ 2,805,475

Rent expense, including utilities, was approximately \$208,000 and \$216,000 for the years ended June 30, 2012 and 2011, respectively, and is included in office and occupancy expense in the accompanying statements of functional expenses.

In conjunction with the lease, the landlord holds a security deposit from JA New York (\$99,765 at June 30, 2012), which is included in prepaid expenses and other assets. The security deposit may be reduced at the option of JA New York to \$59,859 after August 1, 2017.

Capital lease obligations relate to two equipment capital leases entered into by JA New York in fiscal year 2012. The leases bear interest at approximately 7.4% and 12.3% and expire in fiscal year 2015.

(7) Retirement Plan

JA New York participates in the defined benefit pension plan of JA USA. This multi-employer plan is available to employees who meet certain age and employment requirements. Pension expense charged to operations for the years ended June 30, 2012 and 2011 was \$134,463 and \$103,403, respectively.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(8) In-Kind Contributions

In-kind contributions received during fiscal years 2012 and 2011 are reported at fair value as both support and expense in the accompanying statements of activities and consist of the following:

	<u>2012</u>	<u>2011</u>
Public relations	\$ 61,897	300,243
Fund-raising and volunteer recruiting	61,896	246,049
Training and meetings	—	5,219
Office and occupancy expense	18,500	18,500
Programs, conferences, and events	7,952	13,744
Accounting and tax services	15,000	40,000
Consulting services	100,000	—
Legal services	89,926	76,765
	<u>\$ 355,171</u>	<u>700,520</u>

In-kind contributions include contributions by board members and their affiliates of \$228,315 and \$196,135 in fiscal years 2012 and 2011, respectively.

(9) Line of Credit

JA New York has a line of credit (LOC) with a financial institution for an amount not to exceed \$400,000, which matures on February 13, 2013. The financial institution is represented on JA New York's board of directors. The LOC bears interest at LIBOR plus 3.936% (4.175% at June 30, 2012) and is collateralized by the assets of JA New York. No amount was outstanding as of June 30, 2012.

(10) Amounts Due to JA USA

At June 30, 2012 and 2011, accounts payable and accrued expenses included approximately \$28,000 and \$15,000, respectively, due to JA USA for purchases of program materials as well as approximately \$30,000 and \$10,000, respectively, due to JA USA for employee retirement and health plan expenses.