



JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

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, 2011 and 2010, 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, 2011 and 2010, 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 13, 2011

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Financial Position

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents	\$ 163,483	524,287
Contributions and special events receivables (note 3)	761,191	356,708
Inventory, net of allowance of \$3,800 in 2010	24,838	37,607
Prepaid expenses and other assets	24,280	2,046
Total current assets	<u>973,792</u>	<u>920,648</u>
Long-term assets:		
Long-term contributions receivables (pledges), net (note 3)	858,952	1,035,240
Fixed assets, net (note 4)	10,717	91,222
Total long-term assets	<u>869,669</u>	<u>1,126,462</u>
Total assets	<u>\$ 1,843,461</u>	<u>2,047,110</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses (note 10)	\$ 222,276	229,604
Short-term borrowings (note 9)	—	200,000
Deferred revenue	10,000	35,000
Deferred rent obligation (note 6)	26,652	35,474
Total current liabilities	<u>258,928</u>	<u>500,078</u>
Long-term liabilities:		
Deferred rent obligation (note 6)	—	26,652
Total liabilities	<u>258,928</u>	<u>526,730</u>
Unrestricted net assets	372,028	250,975
Temporarily restricted net assets (note 5)	1,212,505	1,269,405
Total net assets	<u>1,584,533</u>	<u>1,520,380</u>
Total liabilities and net assets	<u>\$ 1,843,461</u>	<u>2,047,110</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Activities
Years ended June 30, 2011 and 2010

	2011			2010				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating support and revenue:								
Contributions, net of participation payments of \$52,968 and \$54,964 in 2011 and 2010 (note 3):								
Corporate	\$ 475,588	229,090	—	704,678	565,064	125,749	—	690,813
Individual	182,623	—	—	182,623	674,298	—	—	674,298
Foundations	226,557	268,386	—	494,943	201,533	99,930	—	301,463
Total contributions, net	884,768	497,476	—	1,382,244	1,440,895	225,679	—	1,666,574
Special events income (note 3)	2,209,031	—	—	2,209,031	2,179,490	—	—	2,179,490
Special events expenses and participation payments	(520,627)	—	—	(520,627)	(571,392)	—	—	(571,392)
Special event income, net	1,688,404	—	—	1,688,404	1,608,098	—	—	1,608,098
In-kind contributions (note 8)	700,520	—	—	700,520	475,857	—	—	475,857
Interest and other income	2,587	—	—	2,587	32,353	—	—	32,353
Net assets released from restriction	554,376	(554,376)	—	—	384,806	(384,806)	—	—
Total operating support and revenue	3,830,655	(56,900)	—	3,773,755	3,942,009	(159,127)	—	3,782,882
Operating expenses:								
Program services:								
High school programs	488,234	—	—	488,234	375,805	—	—	375,805
Middle school programs	467,690	—	—	467,690	367,592	—	—	367,592
Elementary school programs	1,460,829	—	—	1,460,829	1,254,828	—	—	1,254,828
Total program services	2,416,753	—	—	2,416,753	1,998,225	—	—	1,998,225
Supporting services:								
Management and general	445,685	—	—	445,685	986,881	—	—	986,881
Fund-raising:								
Volunteer recruiting costs	177,472	—	—	177,472	124,141	—	—	124,141
General solicitation of funds	667,512	—	—	667,512	634,072	—	—	634,072
Total fund-raising expenses	844,984	—	—	844,984	758,213	—	—	758,213
Total supporting services	1,290,669	—	—	1,290,669	1,745,094	—	—	1,745,094
Total operating expenses	3,707,422	—	—	3,707,422	3,743,319	—	—	3,743,319
Nonoperating activities:								
Losses on pledges	(2,180)	—	—	(2,180)	(3,500)	—	—	(3,500)
Total nonoperating activities	(2,180)	—	—	(2,180)	(3,500)	—	—	(3,500)
Increase (decrease) in net assets	121,053	(56,900)	—	64,153	195,190	(159,127)	—	36,063
Net assets at beginning of year	250,975	1,269,405	—	1,520,380	55,785	1,428,532	—	1,484,317
Net assets at end of year	\$ 372,028	1,212,505	—	1,584,533	250,975	1,269,405	—	1,520,380

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	Special events expense	Participation payments	
	High school	Middle school	Elementary school	Total	Management and general	Fund-raising - volunteer recruiting	Fund-raising - general solicitation				
Salaries and benefits (note 7)	\$ 265,634	254,457	794,797	1,314,888	262,978	40,458	404,581	708,017	2,022,905	—	—
Office and occupancy (note 6)	52,530	50,319	157,172	260,021	52,004	8,001	80,006	140,011	400,032	—	—
Travel, meetings, and conferences	4,874	4,668	14,582	24,124	4,825	742	7,423	12,990	37,114	—	—
Program materials	74,519	71,384	222,966	368,869	—	—	—	—	368,869	—	—
Outside services	12,800	12,261	38,297	63,358	12,672	1,949	19,494	34,115	97,473	477,289	—
Depreciation	10,571	10,127	31,631	52,329	10,466	1,610	16,100	28,176	80,505	—	—
Donated goods and services (note 8)	67,306	64,474	201,384	333,164	102,740	124,712	139,908	367,360	700,524	—	—
Participation payments	—	—	—	—	—	—	—	—	—	—	96,306
	<u>\$ 488,234</u>	<u>467,690</u>	<u>1,460,829</u>	<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.

Statement of Functional Expenses

Year ended June 30, 2010

	Program services				Supporting services			Total	Special events expense	Participation payments	
	High school	Middle school	Elementary school	Total	Management and general	Fund-raising - volunteer recruiting	Fund-raising - general solicitation				
Salaries and benefits (note 7)	\$ 203,553	199,105	679,670	1,082,328	490,110	81,685	388,005	959,800	2,042,128	—	—
Office and occupancy (note 6)	61,677	60,329	205,942	327,948	148,505	24,751	117,566	290,822	618,770	—	—
Travel, meetings, and conferences	2,101	2,055	7,016	11,172	5,059	843	4,005	9,907	21,079	—	—
Program materials	55,262	54,054	184,522	293,838	—	—	—	—	293,838	—	—
Outside services	16,621	16,258	55,499	88,378	40,020	6,670	31,683	78,373	166,751	530,136	—
Depreciation	12,449	12,177	41,569	66,195	29,975	4,996	23,730	58,701	124,896	—	—
Donated goods and services (note 8)	24,142	23,614	80,610	128,366	273,212	5,196	69,083	347,491	475,857	—	—
Participation payments	—	—	—	—	—	—	—	—	—	—	96,220
	<u>\$ 375,805</u>	<u>367,592</u>	<u>1,254,828</u>	<u>1,998,225</u>	<u>986,881</u>	<u>124,141</u>	<u>634,072</u>	<u>1,745,094</u>	<u>3,743,319</u>	<u>530,136</u>	<u>96,220</u>

Summary of Expenses Netted from Revenue on Statement of Activities

	Total	Special events expenses	Participation payments
Contributions	\$ 54,964	—	54,964
Special events	571,392	530,136	41,256
	<u>\$ 626,356</u>	<u>530,136</u>	<u>96,220</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 64,153	36,063
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	80,505	124,896
Losses on pledges	2,180	3,500
Gain on capital lease payoff	—	(2,985)
Changes in assets and liabilities:		
Contributions and special events receivables, net	(230,375)	488,764
Inventory, net	12,769	43,222
Prepaid expenses and other assets	(22,234)	(146)
Accounts payable and accrued expenses	(7,328)	(337,481)
Deferred revenue	(25,000)	23,540
Deferred rent obligation	(35,474)	(35,525)
Net cash (used in) provided by operating activities	<u>(160,804)</u>	<u>343,848</u>
Cash flows from investing activity:		
Purchase of fixed assets	—	(7,330)
Net cash used in investing activity	<u>—</u>	<u>(7,330)</u>
Cash flows from financing activities:		
Repayments of short-term borrowings	(200,000)	—
Payment on obligation under capital lease	—	(20,000)
Net cash used in financing activities	<u>(200,000)</u>	<u>(20,000)</u>
Net (decrease) increase in cash and cash equivalents	(360,804)	316,518
Cash and cash equivalents at beginning of year	<u>524,287</u>	<u>207,769</u>
Cash and cash equivalents at end of year	<u>\$ 163,483</u>	<u>524,287</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(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 Worldwide, the entity formed on July 1, 2004 from the consolidation of Junior Achievement Inc. with Junior Achievement International. Subsequent to year-end, the board of JA Worldwide elected to change its name from JA Worldwide to JA USA. This change is not expected to have a significant impact on JA New York. 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, expenses, 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 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, 2011 and 2010, 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.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(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 basis (FIFO). Inventory primarily consists of education and program materials, including Junior Achievement program kits, textbooks, training materials, and related marketing materials. 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 is 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 Worldwide, 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 Worldwide and ratified by the areas. Such amounts are recorded as a reduction of revenue, and amounted to approximately \$96,000 in fiscal years 2011 and 2010.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(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.

(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, 2011 and 2010.

(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 2011 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, 2011 through October 13, 2011, the date the financial statements were available to be issued, and determined that there were no additional matters that are required to be disclosed.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(3) Contributions and Special Events Revenue and Receivables

Contributions and special events receivable at June 30, 2011 and 2010 are scheduled to be collected as follows:

	2011	2010
Less than 1 year	\$ 761,191	556,708
1 – 5 years	400,000	400,000
Thereafter	1,000,000	1,000,000
	2,161,191	1,956,708
Less:		
Unamortized discount (4.59%)	(541,048)	(564,760)
	\$ 1,620,143	1,391,948

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. Two pledges accounted for approximately 82% of gross contributions and special events receivable (74% of net contributions and special events receivable) at June 30, 2010.

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. During fiscal year 2010, two payments totaling \$400,000 were received and the remaining payments are now scheduled to be received in fiscal year 2012 through 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 2011 and 2010 include \$246,822 and \$149,312, respectively, collected on behalf of JA New York by JA Worldwide. At June 30, 2011, contributions and special events receivables include approximately \$84,000 due from JA Worldwide related to such amounts.

Approximately 78% and 86% of contributions and special event revenue during fiscal years 2011 and 2010, respectively, were received from members of the board and their affiliated entities.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(4) Fixed Assets

Fixed assets at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Automobiles	\$ —	23,865
Equipment	1,107,118	1,107,118
Furniture and fixtures	189,235	189,235
Leasehold improvements	88,692	88,692
	<u>1,385,045</u>	<u>1,408,910</u>
Accumulated depreciation and amortization	<u>(1,374,328)</u>	<u>(1,317,688)</u>
	<u>\$ 10,717</u>	<u>91,222</u>

(5) Net Assets

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

	<u>2011</u>	<u>2010</u>
Halbert pledge/trust – Inspiring Inner City Youth to Succeed	\$ 510,091	487,705
NASDAQ grant – JA New York Business Plan Competition	515,875	724,685
Programs and other	186,539	57,015
	<u>\$ 1,212,505</u>	<u>1,269,405</u>

(6) Leases

JA New York has an operating lease agreement for office space expiring in March 2012. JA New York signed a lease modification in March 2010 whereby monthly lease payments from January 1, 2010 through the end of the lease were reduced from \$42,906 to \$21,453. The future lease commitments total \$257,436 and \$193,077 for fiscal years 2011 and 2012, respectively. The deferred rent obligation associated with the lease is being amortized over the remaining term of the lease. The lease may be canceled by the landlord at any time upon at least 60 days' notice.

Rent expense, including utilities, was approximately \$216,000 and \$383,000 for the years ended June 30, 2011 and 2010, respectively, and is included in office and occupancy expense in the accompanying statements of functional expenses.

(7) Retirement Plan

JA New York participates in the defined benefit pension plan of JA Worldwide. 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, 2011 and 2010 was \$103,403 and \$137,782, respectively.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2011 and 2010

(8) In-Kind Contributions

In-kind contributions received during fiscal years 2011 and 2010 are reported at fair value as both support and expense in the accompanying statements of activities and consist of the following:

	<u>2011</u>	<u>2010</u>
Public relations	\$ 300,243	118,059
Fund-raising and volunteer recruiting	246,049	44,403
Training and meetings	5,219	12,235
Office and occupancy expense	18,500	18,500
Programs, conferences, and events	13,744	40,624
Accounting and tax services	40,000	50,906
Legal services	76,765	191,130
	<u>\$ 700,520</u>	<u>475,857</u>

In-kind contributions include contributions by board members and their affiliates of \$196,135 and \$389,305 in fiscal years 2011 and 2010, respectively.

(9) Line of Credit

JA New York has a line of credit (LOC) with a financial institution for an amount not to exceed \$300,000, which matures on February 9, 2012. The financial institution is represented on JA New York's board of directors. The LOC bears interest at LIBOR plus 4.54% (4.73% at June 30, 2011) and is collateralized by the assets of JA New York. The balance due at June 30, 2010 of \$200,000 was repaid in fiscal 2011.

(10) Amounts Due to JA Worldwide

At June 30, 2011 and 2010, accounts payable and accrued expenses included approximately \$15,000 and \$17,000, respectively, due to JA Worldwide for purchases of program materials.