



**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

**Financial Statements**

**June 30, 2006 and 2005**

**(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. (JANY) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of JANY'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 JANY'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, 2006 and 2005, 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

August 15, 2006

**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

Statements of Financial Position

June 30, 2006 and 2005

<b>Assets</b>	<b>2006</b>	<b>2005</b>
Cash and cash equivalents (note 3)	\$ 845,329	1,026,593
Contributions receivable, net (note 4)	764,450	669,536
Prepaid expenses and other assets	180,950	176,770
Fixed assets, net (note 5)	513,901	165,750
Total assets	<u>\$ 2,304,630</u>	<u>2,038,649</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 178,642	258,551
Deferred revenue	46,000	65,000
Deferred rent obligation (note 6)	204,300	236,841
Obligation under capital lease	72,156	—
Total liabilities	<u>501,098</u>	<u>560,392</u>
Unrestricted net assets	1,349,116	1,220,757
Temporarily restricted net assets	196,916	—
Permanently restricted net assets	257,500	257,500
Total net assets	<u>1,803,532</u>	<u>1,478,257</u>
Total liabilities and net assets	<u>\$ 2,304,630</u>	<u>2,038,649</u>

See accompanying notes to financial statements.

**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

Statements of Activities

Years ended June 30, 2006 and 2005

	2006			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Support and revenue:				
Support:				
Contributions (net of participation payments of \$44,865 in 2006 and \$49,211 in 2005)	\$ 1,651,705	196,916	—	1,848,621
Contributed assets (note 9)	312,442	—	—	312,442
Donated services (note 9)	276,940	—	—	276,940
Total support	<u>2,241,087</u>	<u>196,916</u>	<u>—</u>	<u>2,438,003</u>
Revenue:				
Special events income (net of direct expenses and participation payments of \$646,289 in 2006 and \$564,934 in 2005)	2,001,428	—	—	2,001,428
Interest and other income	21,813	—	—	21,813
Total revenue	<u>2,023,241</u>	<u>—</u>	<u>—</u>	<u>2,023,241</u>
Net assets released from restriction	—	—	—	—
Total support and revenue	<u>4,264,328</u>	<u>196,916</u>	<u>—</u>	<u>4,461,244</u>
Expenses:				
Program services:				
High school programs	294,568	—	—	294,568
Middle school programs	267,789	—	—	267,789
Elementary school programs	2,115,535	—	—	2,115,535
Total program services	<u>2,677,892</u>	<u>—</u>	<u>—</u>	<u>2,677,892</u>
Supporting services:				
Management and general	739,043	—	—	739,043
Fund-raising (note 2(e)):				
Volunteer recruiting costs	140,063	—	—	140,063
General solicitation of funds	578,971	—	—	578,971
Total supporting services	<u>1,458,077</u>	<u>—</u>	<u>—</u>	<u>1,458,077</u>
Total expenses	<u>4,135,969</u>	<u>—</u>	<u>—</u>	<u>4,135,969</u>
Increase (decrease) in net assets	128,359	196,916	—	325,275
Net assets at beginning of year	1,220,757	—	257,500	1,478,257
Net assets at end of year	<u>\$ 1,349,116</u>	<u>196,916</u>	<u>257,500</u>	<u>1,803,532</u>

See accompanying notes to financial statements.

2005

Unrestricted	Temporarily restricted	Permanently restricted	Total
1,803,290	—	—	1,803,290
<u>372,548</u>	<u>—</u>	<u>—</u>	<u>372,548</u>
<u>2,175,838</u>	<u>—</u>	<u>—</u>	<u>2,175,838</u>
1,996,062	—	—	1,996,062
<u>11,073</u>	<u>—</u>	<u>—</u>	<u>11,073</u>
2,007,135	—	—	2,007,135
<u>80,000</u>	<u>(80,000)</u>	<u>—</u>	<u>—</u>
<u>4,262,973</u>	<u>(80,000)</u>	<u>—</u>	<u>4,182,973</u>
274,974	—	—	274,974
<u>357,466</u>	<u>—</u>	<u>—</u>	<u>357,466</u>
<u>2,117,297</u>	<u>—</u>	<u>—</u>	<u>2,117,297</u>
<u>2,749,737</u>	<u>—</u>	<u>—</u>	<u>2,749,737</u>
679,835	—	—	679,835
<u>94,172</u>	<u>—</u>	<u>—</u>	<u>94,172</u>
<u>624,229</u>	<u>—</u>	<u>—</u>	<u>624,229</u>
<u>1,398,236</u>	<u>—</u>	<u>—</u>	<u>1,398,236</u>
<u>4,147,973</u>	<u>—</u>	<u>—</u>	<u>4,147,973</u>
<u>115,000</u>	<u>(80,000)</u>	<u>—</u>	<u>35,000</u>
<u>1,105,757</u>	<u>80,000</u>	<u>257,500</u>	<u>1,443,257</u>
<u>1,220,757</u>	<u>—</u>	<u>257,500</u>	<u>1,478,257</u>

**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

Statement of Functional Expenses

Year ended June 30, 2006

	Program services			Total
	High school	Middle school	Elementary school	
Salaries and benefits (note 7)	\$ 176,990	160,900	1,271,115	1,609,005
Office and occupancy (note 6)	45,736	41,578	328,465	415,779
Travel, meetings, and conferences	5,954	5,413	42,759	54,126
Program materials	40,277	36,615	289,261	366,153
Outside services	3,947	3,588	28,346	35,881
Depreciation	—	—	—	—
Bad debts	—	—	—	—
Donated services (note 9)	21,664	19,695	155,589	196,948
Participation payments	—	—	—	—
	<u>\$ 294,568</u>	<u>267,789</u>	<u>2,115,535</u>	<u>2,677,892</u>

Summary of Expenses Netted from Revenue on Statement of Activities

	Total	Special events expenses	Participation payments
Contributions	\$ 44,865	—	44,865
Special events	646,289	596,315	49,974
	<u>\$ 691,154</u>	<u>596,315</u>	<u>94,839</u>

See accompanying notes to financial statements.

<b>Supporting services</b>						
<b>Management and general</b>	<b>Volunteer recruiting</b>	<b>Fund- raising</b>	<b>Total</b>	<b>Total</b>	<b>Special events expense</b>	<b>Participation payments</b>
417,286	90,231	371,387	878,904	2,487,909	—	—
132,840	22,094	103,393	258,327	674,106	—	—
13,446	2,771	6,600	22,817	76,943	—	—
21,692	1,076	2,388	25,156	391,309	—	—
49,206	876	35,645	85,727	121,608	596,315	—
76,773	—	—	76,773	76,773	—	—
84	—	30,297	30,381	30,381	—	—
27,716	23,015	29,261	79,992	276,940	—	—
—	—	—	—	—	—	94,839
<u>739,043</u>	<u>140,063</u>	<u>578,971</u>	<u>1,458,077</u>	<u>4,135,969</u>	<u>596,315</u>	<u>94,839</u>

**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

Statement of Functional Expenses

Year ended June 30, 2005

	Program services			Total
	High school	Middle school	Elementary school	
Salaries and benefits (note 7)	\$ 148,953	193,639	1,146,938	1,489,530
Office and occupancy (note 6)	41,053	53,369	316,110	410,532
Travel, meetings, and conferences	5,780	7,514	44,504	57,798
Program materials	43,054	55,970	331,516	430,540
Outside services	3,189	4,145	24,550	31,884
Depreciation	2,847	3,702	21,924	28,473
Bad debts	—	—	—	—
Donated services (note 9)	30,098	39,127	231,755	300,980
Participation payments	—	—	—	—
	<u>\$ 274,974</u>	<u>357,466</u>	<u>2,117,297</u>	<u>2,749,737</u>

Summary of Expenses Netted from Revenue on Statement of Activities

	Total	Special events expenses	Participation payments
Contributions	\$ 49,211	—	49,211
Special events	564,934	515,479	49,455
	<u>\$ 614,145</u>	<u>515,479</u>	<u>98,666</u>

See accompanying notes to financial statements.

<b>Supporting services</b>						
<b>Management and general</b>	<b>Volunteer recruiting</b>	<b>Fund-raising</b>	<b>Total</b>	<b>Total</b>	<b>Special events expense</b>	<b>Participation payments</b>
451,742	69,413	369,919	891,074	2,380,604	—	—
116,415	17,932	111,527	245,874	656,406	—	—
18,774	2,625	10,823	32,222	90,020	—	—
9,015	496	6,750	16,261	446,801	—	—
23,894	1,501	5,974	31,369	63,253	515,479	—
34,231	1,205	6,702	42,138	70,611	—	—
—	—	67,730	67,730	67,730	—	—
25,764	1,000	44,804	71,568	372,548	—	—
—	—	—	—	—	—	98,666
<b>679,835</b>	<b>94,172</b>	<b>624,229</b>	<b>1,398,236</b>	<b>4,147,973</b>	<b>515,479</b>	<b>98,666</b>

**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

Statements of Cash Flows

Years ended June 30, 2006 and 2005

	<b>2006</b>	<b>2005</b>
Cash flows from operating activities:		
Increase in net assets	\$ 325,275	35,000
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
In-kind contribution of fixed assets	(312,442)	—
Depreciation	76,773	70,611
Provision for bad debts	30,381	67,730
Changes in assets and liabilities:		
Increase in contributions receivable, net	(125,295)	(36,694)
Increase in prepaid expenses and other assets	(4,180)	(21,277)
(Decrease) increase in accounts payable and accrued expenses	(79,909)	38,198
(Decrease) increase in deferred revenue	(19,000)	16,000
Decrease in deferred rent obligation	(32,541)	(11,869)
Net cash (used in) provided by operating activities	(140,938)	157,699
Cash flows from investing activities:		
Purchase of fixed assets	(112,482)	(13,078)
Net cash used in investing activities	(112,482)	(13,078)
Cash flows from financing activities:		
Increase in obligation under capital lease	98,755	—
Payment on obligation under capital lease	(26,599)	—
Net cash provided by financing activities	72,156	—
Net (decrease) increase in cash and cash equivalents	(181,264)	144,621
Cash and cash equivalents at beginning of year	1,026,593	881,972
Cash and cash equivalents at end of year	\$ 845,329	1,026,593
Non-cash investing and financing activity:		
In-kind contribution of fixed assets	\$ 312,442	—

See accompanying notes to financial statements.

## JUNIOR ACHIEVEMENT OF NEW YORK, INC.

### Notes to Financial Statements

June 30, 2006 and 2005

#### (1) Description of Organization

The purpose of Junior Achievement of New York, Inc. (JANY) is to inspire young people to be successful. Programs with age-appropriate curricula are designed to teach elementary students about their roles as individuals, workers, and consumers, and to prepare middle and high school students for key economic and workforce issues they will face. Through role-playing, computer-based simulations, board games, and classroom discussions, students learn job-hunting skills, budgeting techniques, interpersonal relations, the importance of staying in school, and personal and family management. JANY offers two programs available via the Internet, *JA Titan* and *JA Personal Finance*. JANY's delivery system is differentiated by sequential and integrated K-12 programming, volunteer role models with diverse backgrounds who support all classroom programs, and experience-based learning.

JANY is a not-for-profit organization responsible for the five boroughs of New York City and Long Island. The organization is a franchise of JA Worldwide, the new entity formed on July 1, 2004 from the consolidation of Junior Achievement Inc. with Junior Achievement International.

#### (2) Summary of Significant Accounting Policies

The accompanying financial statements of JANY 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) JANY'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 JANY and/or the passage of time. Temporarily restricted net assets at June 30, 2006 were time restricted.

*Permanently restricted net assets* – net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently but permit JANY to use the income derived from the donated assets for unrestricted purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying statements of activities. Those restricted contributions whose restrictions are met in subsequent periods are reported as net assets released from restriction.

- (b) JANY considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

## JUNIOR ACHIEVEMENT OF NEW YORK, INC.

### Notes to Financial Statements

June 30, 2006 and 2005

- (c) 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.
- (d) Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Contributions in 2006 and 2005 include \$243,985 and \$127,311, respectively, from JA Worldwide. 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.
- (e) Donated goods and services are recognized as revenue and expense or assets at the fair value of those goods and services provided the services meet the criteria for recognition under Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*.

JANY incurred costs of \$140,063 and \$94,172 for the years ended June 30, 2006 and 2005, respectively, related to the solicitation of program volunteers, who carry out JANY's mission, by delivering its K-12 programs to the New York City and Long Island students. JANY also incurred other fund-raising costs of \$648,971 and \$624,229, during the same periods, respectively.

- (f) 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.
- (g) 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. Actual results could differ from those estimates.

### (3) Cash and Cash Equivalents

At June 30, 2006 and 2005, cash and cash equivalents include money market funds of \$626,458 and \$834,696, respectively.

**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

Notes to Financial Statements

June 30, 2006 and 2005

**(4) Contributions Receivable**

Contributions receivable at June 30, 2006 are scheduled to be collected as follows:

2007	\$	744,167
2008		61,813
2009		21,206
Less allowance for uncollectible contributions receivable		(50,000)
Less unamortized discount (7.75%)		(12,736)
	\$	<u>764,450</u>

**(5) Fixed Assets**

Fixed assets at June 30, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Automobiles	\$ 56,515	56,515
Equipment	971,236	547,938
Furniture and fixtures	189,236	187,610
Leasehold improvements	88,690	88,690
	<u>1,305,677</u>	<u>880,753</u>
Less accumulated depreciation and amortization	(791,776)	(715,003)
	<u>\$ 513,901</u>	<u>165,750</u>

**(6) Leases**

JANY has an operating lease agreement for office space expiring in March 2012. JANY received a rent abatement for the first five months of the lease. Rent expense each year is based on the total lease commitment recognized over the life of the lease on a straight-line basis. A deferred rent obligation for the cumulative difference between rent expense recognized and the amounts paid on the lease amounts to \$204,300 and \$236,841 at June 30, 2006 and 2005, respectively. Future minimum lease payments under the lease as of June 30, 2006 are as follows:

Year ending June 30:		
2007	\$	361,000
2008		361,000
2009		361,000
2010		361,000
2011		361,000
2012		271,218
	\$	<u>2,076,218</u>

**JUNIOR ACHIEVEMENT OF NEW YORK, INC.**

Notes to Financial Statements

June 30, 2006 and 2005

Rent expense was approximately \$425,000 and \$411,000 for the years ended June 30, 2006 and 2005, respectively, and is included in office and occupancy expense in the accompanying statements of functional expenses.

**(7) Retirement Plan**

JANY participates in the defined benefit pension plan of JA Worldwide. The plan is available to employees who meet certain age and employment requirements. Pension expense charged to operations for the years ended June 30, 2006 and 2005 was \$144,615 and \$134,000, respectively.

**(8) Tax Exemption**

JANY 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.

**(9) In-kind Contributions**

Donated services received during 2006 and 2005 are reported at fair value as both support and expense in the accompanying statements of activities and consist of the following:

	<u>2006</u>	<u>2005</u>
Public relations	\$ 161,370	211,416
Strategic planning	42,293	65,764
Fund-raising	32,795	44,804
Training and meetings	12,050	20,550
Office and occupancy expense	28,432	30,014
	<u>\$ 276,940</u>	<u>372,548</u>

In addition to the above donated services, JANY received a fixed asset contribution with a fair value of \$312,442. This amount was recognized as unrestricted contributions in the accompanying 2006 statement of activities.

**(10) Line of Credit**

On June 15, 2006, JANY entered into the line of credit (LOC) for the amount not to exceed \$500,000 with JP Morgan Chase Bank. The LOC is payable on demand and bears interest at the prime rate. No amount has been drawn on the LOC as of June 30, 2006.