



JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Financial Statements

June 30, 2009 and 2008

(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, 2009 and 2008, 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, 2009 and 2008, 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

March 3, 2010

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Financial Position

June 30, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 207,769	754,445
Contributions and special events receivable, net (note 4)	1,884,212	1,831,890
Inventory, net of allowance of \$20,000 at June 30, 2009	80,829	106,552
Prepaid expenses and other assets	1,900	45,454
Fixed assets, net (note 5)	208,788	330,440
Total assets	<u>\$ 2,383,498</u>	<u>3,068,781</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses (note 10)	\$ 567,085	479,196
Short-term borrowings (note 10)	200,000	—
Deferred revenue	11,460	64,600
Deferred rent obligation (note 7)	97,651	133,201
Obligation under capital lease	22,985	38,414
Total liabilities	<u>899,181</u>	<u>715,411</u>
Unrestricted net assets	55,785	1,484,624
Temporarily restricted net assets (note 6)	1,428,532	611,246
Permanently restricted net assets (notes 3(m) and 6)	—	257,500
Total net assets	<u>1,484,317</u>	<u>2,353,370</u>
Total liabilities and net assets	<u>\$ 2,383,498</u>	<u>3,068,781</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Activities

Years ended June 30, 2009 and 2008

	2009			2008				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating support and revenue:								
Operating support:								
Contributions (net of participation payments of \$51,260 in 2009 and \$45,623 in 2008) (note 4)	\$ 1,394,709	1,069,261	—	2,463,970	1,840,994	843,727	—	2,684,721
Donated goods and services (note 9)	182,327	—	—	182,327	254,862	—	—	254,862
Total operating support	1,577,036	1,069,261	—	2,646,297	2,095,856	843,727	—	2,939,583
Operating revenue:								
Special events income (net of direct expenses and participation payments of \$686,791 in 2009 and \$574,688 in 2008) (note 4)	1,523,491	—	—	1,523,491	2,225,503	—	—	2,225,503
Interest and other income	3,140	—	—	3,140	18,506	—	—	18,506
Total operating revenue	1,526,631	—	—	1,526,631	2,244,009	—	—	2,244,009
Net assets released from restriction	231,140	(231,140)	—	—	340,938	(340,938)	—	—
Donor redesignation (note 3(m))	257,500	—	(257,500)	—	—	—	—	—
Total operating support and revenue	3,592,307	838,121	(257,500)	4,172,928	4,680,803	502,789	—	5,183,592
Operating expenses:								
Program services:								
High school programs	823,377	—	—	823,377	546,478	—	—	546,478
Middle school programs	625,767	—	—	625,767	501,800	—	—	501,800
Elementary school programs	1,844,367	—	—	1,844,367	2,189,145	—	—	2,189,145
Total program services	3,293,511	—	—	3,293,511	3,237,423	—	—	3,237,423
Supporting services:								
Management and general	608,033	—	—	608,033	603,270	—	—	603,270
Fund-raising:								
Volunteer recruiting costs	216,495	—	—	216,495	202,627	—	—	202,627
General solicitation of funds	488,269	—	—	488,269	561,829	—	—	561,829
Total fund-raising expenses	704,764	—	—	704,764	764,456	—	—	764,456
Total supporting services	1,312,797	—	—	1,312,797	1,367,726	—	—	1,367,726
Total operating expenses	4,606,308	—	—	4,606,308	4,605,149	—	—	4,605,149
Nonoperating activities:								
Donated services support (note 9)	245,790	—	—	245,790	—	—	—	—
Donated services expense - management and general (note 9)	(245,790)	—	—	(245,790)	—	—	—	—
Losses on pledges	(414,838)	(20,835)	—	(435,673)	(72,924)	—	—	(72,924)
Total nonoperating activities	(414,838)	(20,835)	—	(435,673)	(72,924)	—	—	(72,924)
(Decrease) increase in net assets	(1,428,839)	817,286	(257,500)	(869,053)	2,730	502,789	—	505,519
Net assets at beginning of year	1,484,624	611,246	257,500	2,353,370	1,481,894	108,457	257,500	1,847,851
Net assets at end of year	\$ 55,785	1,428,532	—	1,484,317	1,484,624	611,246	257,500	2,353,370

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statement of Functional Expenses

Year ended June 30, 2009

	Program services				Supporting services					Special events expense	Participation payments	
	High school	Middle school	Elementary school	Total	Management and general - operating	Management and general - nonoperating	Fund-raising - volunteer recruiting	Fund-raising - general solicitation	Total			
Salaries and benefits (note 8)	\$ 502,349	381,786	1,125,263	2,009,398	370,966	—	132,086	297,896	800,948	2,810,346	—	—
Office and occupancy (note 7)	132,273	100,528	296,292	529,093	97,679	—	34,779	78,439	210,897	739,990	—	—
Travel, meetings, and conferences	11,698	8,890	26,203	46,791	8,638	—	3,076	6,937	18,651	65,442	—	—
Program materials	91,125	69,255	204,121	364,501	67,293	—	23,960	54,038	145,291	509,792	—	—
Outside services	29,688	22,563	66,501	118,752	21,923	—	7,806	17,605	47,334	166,086	641,745	—
Depreciation	23,653	17,976	52,983	94,612	17,467	—	6,219	14,027	37,713	132,325	—	—
Donated goods and services (note 9)	32,591	24,769	73,004	130,364	24,067	245,790	8,569	19,327	297,753	428,117	—	—
Participation payments	—	—	—	—	—	—	—	—	—	—	—	96,306
	\$ <u>823,377</u>	<u>625,767</u>	<u>1,844,367</u>	<u>3,293,511</u>	<u>608,033</u>	<u>245,790</u>	<u>216,495</u>	<u>488,269</u>	<u>1,558,587</u>	<u>4,852,098</u>	<u>641,745</u>	<u>96,306</u>

Summary of Expenses Netted from Revenue on Statement of Activities

	Total	Special events expenses	Participation payments
Contributions	\$ 51,260	—	51,260
Special events	686,791	641,745	45,046
	\$ <u>738,051</u>	<u>641,745</u>	<u>96,306</u>

Summary of Expenses on Statement of Activities

	Total
Operating	\$ 4,606,308
Nonoperating	245,790
	\$ <u>4,852,098</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statement of Functional Expenses
Year ended June 30, 2008

	Program services				Supporting services				Special events expense	Participation payments	
	High school	Middle school	Elementary school	Total	Management and general	Fund-raising - volunteer recruiting	Fund-raising - general solicitation	Total			
Salaries and benefits (note 8)	\$ 334,891	307,512	1,341,547	1,983,950	369,699	124,173	344,299	838,171	2,822,121	—	—
Office and occupancy (note 7)	83,744	76,898	335,472	496,114	92,448	31,051	86,097	209,596	705,710	—	—
Travel, meetings, and conferences	11,519	10,578	46,146	68,243	12,713	4,271	11,843	28,827	97,070	—	—
Program materials	49,030	45,021	196,410	290,461	54,125	18,180	50,407	122,712	413,173	—	—
Outside services	18,363	16,861	73,559	108,783	20,271	6,809	18,878	45,958	154,741	529,338	—
Depreciation	18,687	17,159	74,857	110,703	20,628	6,929	19,212	46,769	157,472	—	—
Donated goods and services (note 9)	30,244	27,771	121,154	179,169	33,386	11,214	31,093	75,693	254,862	—	—
Participation payments	—	—	—	—	—	—	—	—	—	—	90,973
	<u>\$ 546,478</u>	<u>501,800</u>	<u>2,189,145</u>	<u>3,237,423</u>	<u>603,270</u>	<u>202,627</u>	<u>561,829</u>	<u>1,367,726</u>	<u>4,605,149</u>	<u>529,338</u>	<u>90,973</u>

Summary of Expenses Netted from Revenue on Statement of Activities

	Total	Special events expenses	Participation payments
Contributions	\$ 45,623	—	45,623
Special events	574,688	529,338	45,350
	<u>\$ 620,311</u>	<u>529,338</u>	<u>90,973</u>

Summary of Expenses on Statement of Activities

	Total
Operating	\$ 4,605,149
Nonoperating	—
	<u>\$ 4,605,149</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (869,053)	505,519
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation	132,325	157,472
Losses on pledges	435,673	72,924
Provision for inventory obsolescence	20,000	—
Changes in assets and liabilities:		
Contributions and special events receivable, net	(487,995)	(1,004,328)
Inventory	5,723	(31,769)
Prepaid expenses and other assets	43,554	1,704
Accounts payable and accrued expenses	87,889	212,764
Deferred revenue	(53,140)	52,600
Deferred rent obligation	(35,550)	(35,550)
Net cash used in operating activities	<u>(720,574)</u>	<u>(68,664)</u>
Cash flows from investing activity:		
Purchase of fixed assets	<u>(10,673)</u>	<u>(32,040)</u>
Net cash used in investing activity	<u>(10,673)</u>	<u>(32,040)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	200,000	—
Payment on obligation under capital lease	<u>(15,429)</u>	<u>(44,450)</u>
Net cash provided by (used in) financing activities	<u>184,571</u>	<u>(44,450)</u>
Net decrease in cash and cash equivalents	(546,676)	(145,154)
Cash and cash equivalents at beginning of year	<u>754,445</u>	<u>899,599</u>
Cash and cash equivalents at end of year	<u>\$ 207,769</u>	<u>754,445</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(1) Description of Organization

The purpose of Junior Achievement of New York, Inc. (JANY) is to inspire and prepare young people to be successful in a global economy. 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, personal and family financial management, and entrepreneurialism. JANY offers three programs available via the Internet: *JA Titan*, *JA Personal Finance*, and *JA Banks in Action*. JANY's delivery system is differentiated by sequential and integrated K-12 educational programming, volunteer role models with diverse backgrounds who support all classroom programs, and experience-based learning.

JANY 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. JANY serves the five boroughs of New York City and Long Island.

(2) Liquidity

During fiscal 2009, JANY experienced a decline in contributions and special events support attributable primarily to the recession. As a result, JANY incurred a decrease in net assets of approximately \$869,000 and a cash outflow from operations of approximately \$721,000 for the year ended June 30, 2009. The New York region, which is the primary geographic area in which JANY's donors are located, has been significantly impacted by the recession and turmoil in the credit markets. The financial services industry, which has historically been a significant source of support for JANY, has been impacted by government oversight, consolidation of entities, and an overall reduction in profitability. In addition, JANY's board of directors is comprised of leaders of prominent businesses in the New York region and particularly the financial services industry. These circumstances have contributed to the decline in contributions and support provided to JANY. As a result, JANY has been experiencing cash flow difficulties in meeting its commitments when they become due.

In this regard, as indicated in note 10, JANY has not paid its line of credit (LOC) (\$200,000 at June 30, 2009) in accordance with its terms, which required repayment by January 1, 2010. The financial institution that holds the LOC has agreed to amend the terms of this LOC as described in note 10, extending the payment terms and available line.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2009 and 2008

As a result of the circumstances noted above with regard to the liquidity difficulties, JANY management has taken, and will continue to take, actions to conserve cash, while continuing to provide program services. Actions taken to date include a reduction in employee headcount, entering into a \$150,000 LOC with JA Worldwide and a subsequent amendment of this agreement (note 10) and a renegotiation of a lease commitment resulting in a substantial reduction in occupancy expense and cash outflows in fiscal 2010 and beyond (note 7). Further, JANY management will consider other options, if needed, to conserve cash and continue providing its program services and executing its mission. For example, JANY could choose not to fill current open positions contemplated in the current operating budget and, if necessary, take additional actions to reduce program activity. JANY management will continue to focus on the generation of new sources of contributions, additional contributions, the development of additional donors and new board members, and the hosting of additional special events. Through March 3, 2010, JANY has received cash receipts exceeding half of its fiscal 2010 operating budget and written or verbal intents to give from board members and other donors for approximately three quarters of the remaining 2010 operating budget.

(3) 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) Basis of Presentation

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.

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. At June 30, 2009 and 2008, there were \$0 and \$257,500, respectively, in permanently restricted net assets. As described in note 3(m), permanently restricted net assets at June 30, 2008 were re-designated by the donor in fiscal 2009.

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

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, 2009 and 2008

(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.

(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 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. 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. 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. An allowance for uncollectible contributions and special events receivable is estimated based upon such factors as prior collection history, type of contribution, and nature of fund-raising activity.

(f) Donated Goods and Services

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*.

(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 and \$91,000 in the years ended June 30, 2009 and 2008, 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

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2009 and 2008

revenues and expenses recognized during the reporting period. Significant estimates include the fair value of contributions, the allowance for uncollectible contributions and special events receivable, the allocation of expenses by functional category, and projected liquidity. Actual results could differ from those estimates.

(i) 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. JANY recognizes the effect of income tax positions only if those positions are probable of being sustained. Income generated from activities unrelated to JANY's tax-exempt purpose is subject to tax under Internal Revenue Code Section 511. JANY did not have any material unrelated business income tax liability for the years ended June 30, 2009 and 2008.

(j) Non-operating Activities

Non-operating activities in the accompanying statements of activities include losses on pledges and non-recurring activities.

(k) Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

(l) Functional Allocation of Expenses

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

(m) New Accounting Pronouncements

Statement of Financial Accounting Standards No. 157, Fair Value Measurements

On July 1, 2008, JANY adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of SFAS No. 157 and its various amendments did not have a material effect on the changes in net assets or financial position of JANY.

SFAS No. 157 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires that assets and liabilities that are measured at fair value on a recurring basis be disclosed by fair value hierarchy. At June 30, 2009 and 2008, JANY had no assets or liabilities that fall into this category.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2009 and 2008

FAS 117-1, Endowments of Not-for-Profit Organizations

Financial Accounting Standards Board (FASB) Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, is effective for JANY's 2009 fiscal year. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. This FSP also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not subject to an enacted version of UPMIFA. New York State has not yet adopted UPMIFA and accordingly, JANY continues to follow the Uniform Management of Institutional Funds Act (UMIFA). At June 30, 2009, JANY had no endowments (either donor-restricted or board-designated). Permanently restricted net assets of \$257,500 at June 30, 2008 were re-designated by the donor to unrestricted net assets during fiscal 2009.

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which addresses accounting for, and disclosure of, uncertain tax positions. FIN 48 prescribes a model for how an entity should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. FIN 48 requires an entity to recognize the benefit of tax positions when it is "more likely than not" that the provision will be sustainable based on the merits of the position. JANY has elected to defer adoption of FIN 48 in accordance with FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which defers the effective date of FIN 48 for nonpublic entities included within its scope to annual financial statements for fiscal years beginning after December 15, 2008. The FASB also issued, in September 2009, FASB Accounting Standards Update (ASU) No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, which reduces the disclosure requirements under FIN 48 for nonpublic entities and provides additional implementation guidance on accounting for income tax uncertainties. JANY is currently evaluating the impact that FIN 48 and ASU No. 2009-06 will have on its fiscal 2010 financial statements upon adoption; however, the effects are not expected to have a material impact.

(n) Subsequent Events

In connection with the preparation of the financial statements and in accordance with the recently issued SFAS No. 165, *Subsequent Events*, JANY evaluated subsequent events after the balance sheet date of June 30, 2009 through March 3, 2010, which was the date the financial statements were available to be issued. Significant subsequent events are described in notes 7 and 10, relating to the revised lease agreement and the amendments to JANY's lines of credit with a financial institution and JA Worldwide.

JUNIOR ACHIEVEMENT OF NEW YORK, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(4) Contributions and Special Events Revenue and Receivable

Contributions and special events receivable at June 30, 2009 and 2008 are scheduled to be collected as follows:

	<u>2009</u>	<u>2008</u>
Less than 1 year	\$ 743,439	1,427,968
1 – 5 years	800,000	31,754
Thereafter	<u>1,000,000</u>	<u>1,000,000</u>
	2,543,439	2,459,722
Less:		
Allowance for uncollectible contributions receivable	—	(50,000)
Unamortized discount (4.59%)	<u>(659,227)</u>	<u>(577,832)</u>
	<u>\$ 1,884,212</u>	<u>1,831,890</u>

Two pledges accounted for approximately 79% of gross contributions and special events receivable (71% of net contributions and special events receivable) at June 30, 2009. One pledge accounted for approximately 41% of gross contributions and special events receivable (24% of net contributions and special events receivable) at June 30, 2008.

In fiscal 2009, JANY received a \$1 million grant from NASDAQ, to be paid in five equal installments from fiscal 2010 through 2014. This grant is to support the JANY Business Plan Competition over the next five years. In 2009, contributions revenue and receivable were recognized at the present value of the estimated future benefits to be received. The receivable is adjusted during the term for accretion of the discount.

In fiscal 2008, JANY received a \$1 million pledge from the Halbert family, which will be partially funded through an irrevocable charitable remainder unitrust. In 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 in 2009 and 2008 include \$123,294 and \$187,100, respectively, from JA Worldwide.

Approximately \$1,193,000 and \$1,771,000 of contributions and special event revenue during 2009 and 2008, respectively, were received from members of the board and their affiliated entities.

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Notes to Financial Statements

June 30, 2009 and 2008

(5) Fixed Assets

Fixed assets at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Automobiles	\$ 56,515	56,515
Equipment	1,099,788	1,089,115
Furniture and fixtures	189,235	189,235
Leasehold improvements	88,692	88,692
	<u>1,434,230</u>	<u>1,423,557</u>
Accumulated depreciation and amortization	<u>(1,225,442)</u>	<u>(1,093,117)</u>
	<u>\$ 208,788</u>	<u>330,440</u>

(6) Net Assets

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

	<u>2009</u>	<u>2008</u>
Halbert pledge/trust - Inspiring Inner City Youth to Succeed	\$ 466,302	445,838
NASDAQ grant - JANY Business Plan Competition	875,797	—
Programs and other	86,433	165,408
	<u>\$ 1,428,532</u>	<u>611,246</u>

The income associated with permanently restricted net assets of \$257,500 was available for program services as of June 30, 2008. During fiscal 2009, the donor re-designated such net assets to unrestricted net assets.

(7) 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 \$97,651 and \$133,201 at June 30, 2009 and 2008, respectively.

Future minimum lease payments under the lease as of June 30, 2009 are as follows:

Year ending June 30:	
2010	\$ 490,149
2011	490,149
2012	<u>367,611</u>
	<u>\$ 1,347,909</u>

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On March 2, 2010, the landlord agreed to a reduction in the monthly base rent charges, effective January 1, 2010, from \$42,906 to \$21,453, a reduction of \$21,453 per month for the remainder of the lease. As a result of this revision, the above commitment was reduced to \$386,154, \$257,436, and \$193,077 in 2010, 2011, and 2012, respectively.

Rent expense, including utilities, was approximately \$490,000 and \$458,000 for the years ended June 30, 2009 and 2008, respectively, and is included in office and occupancy expense in the accompanying statements of functional expenses.

(8) Retirement Plan

JANY 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, 2009 and 2008 was \$183,741 and \$186,513, respectively.

(9) Donated Goods and Services

Donated goods and services received during 2009 and 2008 are reported at fair value as both support and expense in the accompanying statements of activities and consist of the following:

	<u>2009</u>	<u>2008</u>
Brand revitalization initiative	\$ 245,790	—
Public relations	35,000	44,395
Fund-raising	2,359	22,500
Training and meetings	27,240	1,485
Office and occupancy expense	63,200	37,500
Programs, conferences, and events	28,185	72,180
Volunteer recruitment	—	41,250
Legal services	26,343	35,552
	<u>\$ 428,117</u>	<u>254,862</u>

Donated goods and services include contributions by board members and their affiliates of \$417,379 and \$216,099 in 2009 and 2008, respectively.

(10) Lines of Credit

JANY had a line of credit (LOC) with a financial institution for an amount not to exceed \$500,000, which matured on January 1, 2010. The financial institution is represented on JANY's board of directors. The LOC bore interest at LIBOR plus 3.051% (3.359% at June 30, 2009) and was collateralized by the assets of JANY. Under the terms of the LOC agreement, JANY was required to repay the balance and maintain a zero balance for a period of at least 30 days at least once during each term. The balance due was \$200,000 and \$0 at June 30, 2009 and 2008, respectively.

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Under the LOC, JANY was required to submit audited financial statements to the financial institution within 120 days of its fiscal year-end and pay the outstanding principal by January 1, 2010, neither of which has occurred, resulting in a technical violation of its debt covenants. As a result, JANY was in technical default from that day through the date the agreement was amended.

On February 26, 2010, the financial institution amended the terms of the agreement to decrease the available facility to \$250,000 and extend the maturity through January 26, 2011. The interest rate on the LOC has been changed to prime plus 3.75%.

At June 30, 2009 and 2008, accounts payable and accrued expenses included approximately \$217,000 and \$142,000 due to JA Worldwide for purchases of program materials. On October 22, 2009, JANY entered into a LOC agreement with JA Worldwide to finance up to \$150,000 at a rate of 6% per annum of its purchases of program materials from JA Worldwide (including the balance due at the time of the agreement). The LOC was to be paid back in monthly installments of \$25,000 starting January 30, 2010. On February 25, 2010, JA Worldwide agreed to amend the payment terms under this LOC, deferring the payments until December 31, 2010. The balance as of February 25, 2010 was approximately \$117,000.