

**Junior Achievement  
of Northern New England, Inc.**

Financial Statements  
and  
Auditors' Report

June 30, 2012 and 2011



**Daniel Dennis & Company LLP**  
*Certified Public Accountants*

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## **Daniel Dennis & Company LLP**

*Certified Public Accountants*

Board of Directors

**Junior Achievement**

**of Northern New England, Inc.**

### *Independent Auditors' Report*

We have audited the accompanying statements of financial position of Junior Achievement of Northern New England, Inc. (the Organization) 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 the Organization'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 audits 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 the Organization'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 Northern New England, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information schedules (as prescribed by JA Worldwide) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Daniel Dennis + Company LLP*

*December 10, 2012*

**Junior Achievement of Northern New England, Inc.**  
 Statements of Financial Position  
 June 30, 2012 and 2011

<i>Assets</i>		
	2012	2011
<i>Assets</i>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 187,752	\$ 88,448
Pledges receivable, net	86,594	113,352
Inventory	2,005	1,906
Prepaid expenses	<u>4,448</u>	<u>8,110</u>
Total current assets	<u>280,799</u>	<u>211,816</u>
 <i>Long Term Assets</i>		
Cash and cash equivalents - restricted	52,576	3,639
Investments, at fair value	371,736	425,812
Security deposit	14,982	14,982
Property and equipment, net	<u>11,414</u>	<u>13,244</u>
Total long term assets	<u>450,708</u>	<u>457,677</u>
Total assets	<u>\$ 731,507</u>	<u>\$ 669,493</u>
<i>Liabilities and Net Assets</i>		
<i>Liabilities</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 30,365	\$ 32,011
Refundable advances	<u>91,050</u>	<u>154,000</u>
Total current liabilities	<u>121,415</u>	<u>186,011</u>
 <i>Long Term Liabilities</i>		
Deferred rent	<u>22,784</u>	<u>22,192</u>
Total long term liabilities	<u>22,784</u>	<u>22,192</u>
Total liabilities	<u>144,199</u>	<u>208,203</u>
 <i>Net Assets/(Deficit)</i>		
Unrestricted	162,343	(209,800)
Temporarily restricted	164,965	203,590
Permanently restricted	<u>260,000</u>	<u>467,500</u>
Total net assets	<u>587,308</u>	<u>461,290</u>
Total liabilities and net assets	<u>\$ 731,507</u>	<u>\$ 669,493</u>

*See accompanying notes to financial statements.*

**Junior Achievement of Northern New England, Inc.**

Statements of Activities

For the Years Ended June 30, 2012 and 2011

	2012				2011			
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
<i>Public Support and Revenues</i>								
<i>Contributions:</i>								
Corporations	\$ 111,772	\$ 45,224	\$ -	\$ 156,996	\$ 272,935	\$ 35,000	\$ -	\$ 307,935
Individuals	202,187	-	40,000	242,187	113,578	-	-	113,578
Foundations	<u>258,679</u>	<u>-</u>	<u>-</u>	<u>258,679</u>	<u>97,525</u>	<u>-</u>	<u>-</u>	<u>97,525</u>
Total contributions	<u>572,638</u>	<u>45,224</u>	<u>40,000</u>	<u>657,862</u>	<u>484,038</u>	<u>35,000</u>	<u>-</u>	<u>519,038</u>
Special events	758,021	-	-	758,021	850,379	-	-	850,379
Less special events expenses	<u>(283,807)</u>	<u>-</u>	<u>-</u>	<u>(283,807)</u>	<u>(444,716)</u>	<u>-</u>	<u>-</u>	<u>(444,716)</u>
Net special events income	<u>474,214</u>	<u>-</u>	<u>-</u>	<u>474,214</u>	<u>405,663</u>	<u>-</u>	<u>-</u>	<u>405,663</u>
Realized gains on investments	-	20,501	-	20,501	-	37,391	-	37,391
Unrealized gain/(loss) on investments	-	(22,190)	-	(22,190)	-	44,549	-	44,549
Inkind contributions	98,995	-	-	98,995	16,562	-	-	16,562
Other income	9,320	-	-	9,320	8,585	-	-	8,585
Net assets released from restrictions	<u>329,660</u>	<u>(82,160)</u>	<u>(247,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>1,484,827</u>	<u>(38,625)</u>	<u>(207,500)</u>	<u>1,238,702</u>	<u>914,848</u>	<u>116,940</u>	<u>-</u>	<u>1,031,788</u>
<i>Expenses</i>								
Program expenses	697,531	-	-	697,531	851,802	-	-	851,802
Management and general expense	191,371	-	-	191,371	134,665	-	-	134,665
Fundraising	<u>223,782</u>	<u>-</u>	<u>-</u>	<u>223,782</u>	<u>173,458</u>	<u>-</u>	<u>-</u>	<u>173,458</u>
Total expenses	<u>1,112,684</u>	<u>-</u>	<u>-</u>	<u>1,112,684</u>	<u>1,159,925</u>	<u>-</u>	<u>-</u>	<u>1,159,925</u>
Change in net assets	<u>372,143</u>	<u>(38,625)</u>	<u>(207,500)</u>	<u>126,018</u>	<u>(245,077)</u>	<u>116,940</u>	<u>-</u>	<u>(128,137)</u>
Net assets, beginning of year	<u>(209,800)</u>	<u>203,590</u>	<u>467,500</u>	<u>461,290</u>	<u>35,277</u>	<u>86,650</u>	<u>467,500</u>	<u>589,427</u>
Net assets, end of year	<u>\$ 162,343</u>	<u>\$ 164,965</u>	<u>\$ 260,000</u>	<u>\$ 587,308</u>	<u>\$ (209,800)</u>	<u>\$ 203,590</u>	<u>\$ 467,500</u>	<u>\$ 461,290</u>

*See accompanying notes to financial statements.*

**Junior Achievement of Northern New England, Inc.**

Statements of Functional Expenses

For the Years Ended June 30, 2012 and 2011

	2012				2011			
	<i>Program</i>	<i>General and Admini- stration</i>	<i>Fund Raising</i>	<i>Total Expenses</i>	<i>Program</i>	<i>General and Admini- stration</i>	<i>Fund Raising</i>	<i>Total Expenses</i>
Salaries and related expenses	\$ 435,886	\$ 125,588	\$ 112,274	\$ 673,748	\$ 523,828	\$ 78,933	\$ 114,812	\$ 717,573
Program materials	113,718	-	-	113,718	132,314	-	-	132,314
Rent	61,028	15,719	15,719	92,466	56,338	3,756	15,024	75,118
License fee	15,127	7,786	21,579	44,492	14,472	7,936	24,276	46,684
Office expenses	6,207	1,599	1,599	9,405	14,514	968	3,871	19,353
Travel, auto and meals	9,609	2,475	2,475	14,559	12,269	818	3,272	16,359
Professional fees	4,694	29,798	2,739	37,231	-	39,332	-	39,332
Telephone	5,538	1,426	1,426	8,390	6,489	433	1,730	8,652
Insurance	11,610	281	281	12,172	10,892	110	439	11,441
Training	938	1,753	241	2,932	3,319	221	885	4,425
Public relations	-	-	60,503	60,503	-	-	519	519
Equipment lease	5,299	1,365	1,365	8,029	5,776	385	1,540	7,701
Scholarships	5,000	-	-	5,000	45,000	-	-	45,000
Moving expenses	-	-	-	-	7,043	470	1,878	9,391
Payroll and bank fees	6,170	1,589	1,589	9,348	5,975	398	1,593	7,966
Depreciation	4,356	1,122	1,122	6,600	7,912	527	2,110	10,549
Bad debt expense	123	32	32	187	1,137	76	303	1,516
Utilities	2,036	524	524	3,084	1,453	97	387	1,937
Other expenses	10,192	314	314	10,820	3,071	205	819	4,095
<b>Total expenses</b>	<b>\$ 697,531</b>	<b>\$ 191,371</b>	<b>\$ 223,782</b>	<b>\$ 1,112,684</b>	<b>\$ 851,802</b>	<b>\$ 134,665</b>	<b>\$ 173,458</b>	<b>\$ 1,159,925</b>

*See accompanying notes to financial statements.*

**Junior Achievement of Northern New England, Inc.**

## Statements of Cash Flows

For the Years Ended June 30, 2012 and 2011

	2012	2011
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 126,018	\$ (128,137)
Adjustments to reconcile change in net assets to net cash provided by/(used) in operating activities		
Depreciation	6,600	10,549
Bad debt expense	187	1,516
Net unrealized loss on investments	22,190	(44,549)
Net realized gain on sale of investments	(20,501)	(37,391)
Donated equipment	(4,370)	-
Changes that provide/(use) cash		
Pledges receivable	26,571	(27,113)
Inventory	(99)	923
Prepaid expenses	3,662	233
Security deposits	-	(9,055)
Accounts payable and accrued expenses	(1,646)	(25,520)
Refundable advances	(62,950)	89,375
Deferred rent	592	19,952
Net cash provided by/(used in) operating activities	<u>96,254</u>	<u>(149,217)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from the sale of investments	183,824	301,973
Purchase of investments	(131,437)	(165,357)
Purchase of equipment	(400)	(3,897)
Net cash provided by investing activities	<u>51,987</u>	<u>132,719</u>
Net increase/decrease in cash and cash equivalents	148,241	(16,498)
Cash and cash equivalents - beginning of year	<u>92,087</u>	<u>108,585</u>
Cash and cash equivalents - end of year	<u>\$ 240,328</u>	<u>\$ 92,087</u>
<i>Reconciliation to Cash and Cash Equivalents on the Statement of Financial Position</i>		
Cash and cash equivalents - unrestricted	\$ 187,752	\$ 88,448
Cash and cash equivalents - restricted	<u>52,576</u>	<u>3,639</u>
Total	<u>\$ 240,328</u>	<u>\$ 92,087</u>

*See accompanying notes to financial statements.*

## **Junior Achievement of Northern New England, Inc.**

Notes to Financial Statements

June 30, 2012 and 2011

### **1. *Nature of Organization***

Junior Achievement of Northern New England, Inc. (the "Organization"), formerly Junior Achievement of Eastern Massachusetts, Inc., is a Massachusetts not-for-profit organization. The Organization is a regional chapter of JA USA, an international organization. The mission of the Organization is to educate and inspire young people to value free enterprise, understand business and economics, and prepare themselves for the workforce. The Organization is based in Waltham, Massachusetts and sponsors educational programs and events in Northern New England. A description of the Organization's major programs is as follows:

#### *Elementary School*

The elementary school programs include five sequential themes for kindergarten through fifth-grade students. Students learn the basic concepts of business and economics and how education is relevant to the workplace. The sequential activities build on studies from each preceding grade and prepare students for secondary school and lifelong learning.

#### *Middle School*

The middle grades programs for students in grades sixth through ninth build on concepts the students learned in the elementary school program and help teens make difficult decisions about how to best prepare for their educational and professional future. The programs supplement standard social studies curricula and develop communication skills that are essential to success in the business world.

#### *High School*

As high school students in grades ninth through twelfth begin to position themselves for their future, there are many unanswered questions about what lies ahead. The Organization's high school programs help students make informed, intelligent decisions about their future, and foster skills that will be highly useful in the business world.

### **2. *Summary of Significant Accounting Policies***

#### *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting for financial reporting in accordance with accounting principles generally accepted in the United States of America.

#### *Classification and Reporting of Net Assets*

The assets, liabilities, and net assets of the Organization are classified into three classes of net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets represent the portion of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**Junior Achievement of Northern New England, Inc.**

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

**2. *Summary of Significant Accounting Policies - Continued***

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization defines cash and cash equivalents as short-term, highly liquid investments with initial maturities of three months or less.

*Contributions*

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions received without donor imposed restrictions, or with donor imposed restrictions that are satisfied in the same year as received, are recorded as revenues within the unrestricted net asset class. Contributions received with donor imposed specific purpose or time restrictions that are not satisfied within the same year are recorded as revenue within the temporarily restricted net asset class. When a restriction has been satisfied (payment has been made in accordance with the restriction or the time restriction has expired), the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that do not expire are recorded as revenue within the permanently restricted net asset class.

The Organization receives donated materials and services in support of its programs. Donated materials and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if they were not donated are recorded as in-kind contributions in the financial statements. Donated services such as fund-raising, clerical assistance, or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

*Inventory*

Inventory, consisting of program kits, is stated at the lower-of-cost or market based on the first-in first-out method.



**Junior Achievement of Northern New England, Inc.**

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

**2. *Summary of Significant Accounting Policies - Continued***

*Net Assets*

Permanently restricted net assets consist of program endowments and general endowments that are required to be invested in perpetuity. Interest and dividend income earned on program endowments is restricted to use for the Organization's programs. Interest and dividend income earned on general endowments is unrestricted. Realized and unrealized gains and losses on endowments increase or decrease the respective endowments and are recorded as temporarily restricted net assets on the statement of activities.

*Property and Equipment*

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense while costs of significant renewals and betterments are capitalized.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Pledges Receivable*

Unconditional promises to give are recognized as revenue and receivables in the period in which the promise is made. Unconditional promises to give that are expected to be collected within the next year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are discounted to the present value of their net realizable value. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. Allowance for uncollectible pledges at June 30, 2012 and 2011 totaled \$0 and \$8,500, respectively.

*Refundable Advances*

Cash received as payment in advance for participation in special events is recorded as refundable advances, and is recognized as revenue when the event occurs.

*Functional Allocation of Expenses*

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

**Junior Achievement of Northern New England, Inc.**  
Notes to Financial Statements - *Continued*  
June 30, 2012 and 2011

**2. *Summary of Significant Accounting Policies - Continued***

*Fair Value Measurements*

The Financial Accounting Standards Board established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable, such as models or other valuation methodologies; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

*Investments and Investment Income*

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Investments in mutual funds and equity and debt securities are measured at fair value, as determined by market quotations.

Dividends and interest on investments are reported as increases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Realized and unrealized gains and losses on permanently restricted investments are recorded as temporarily restricted net assets on the statement of activities.

*Income Taxes*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the years ended June 30, 2012 and 2011, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

**Junior Achievement of Northern New England, Inc.**

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

**2. Summary of Significant Accounting Policies - Continued**

*Income Taxes - Continued*

The Organization evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Organization has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2012 returns and believes they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. The Organization's fiscal year 2009 through 2011 tax years remain subject to examination by Federal and state tax authorities.

**3. Property and Equipment**

Property and equipment as of June 30, 2012 and 2011 are summarized as follows:

	<i>2012</i>	<i>2011</i>
Office equipment	\$ 42,916	\$ 38,766
Furniture and fixtures	<u>18,486</u>	<u>17,866</u>
Total	61,402	56,632
Less accumulated depreciation	<u>(49,988)</u>	<u>(43,388)</u>
Property and equipment - net	<u>\$ 11,414</u>	<u>\$ 13,244</u>

Depreciation expense for the years ended June 30, 2012 and 2011 totaled \$6,600 and \$10,549, respectively.

**4. Investments**

Investments as of June 30, 2012 are summarized as follows:

<i>Description</i>	<i>Cost</i>	<i>Fair Value</i>	<i>Unrealized Appreciation (Depreciation)</i>
U.S. Government Securities	\$ 11,408	\$ 13,166	\$ 1,758
Municipal Bond	20,060	24,985	4,925
Corporate Bonds	37,945	37,251	(694)
Domestic Equity Securities	197,729	258,567	60,838
Foreign Equity Securities	<u>37,682</u>	<u>37,767</u>	<u>85</u>
Total	<u>\$ 304,824</u>	<u>\$ 371,736</u>	<u>\$ 66,912</u>

**Junior Achievement of Northern New England, Inc.**  
Notes to Financial Statements - *Continued*  
June 30, 2012 and 2011

**4. Investments - Continued**

Investments as of June 30, 2011 are summarized as follows:

<i>Description</i>	<i>Cost</i>	<i>Fair Value</i>	<i>Unrealized Appreciation (Depreciation)</i>
U.S. Government Securities	\$ 27,875	\$ 31,800	\$ 3,925
Municipal Bond	20,060	22,620	2,560
Corporate Bonds	37,945	38,187	242
Domestic Equity Securities	215,218	294,770	79,552
Foreign Equity Securities	<u>35,136</u>	<u>38,435</u>	<u>3,299</u>
Total	<u>\$ 336,234</u>	<u>\$ 425,812</u>	<u>\$ 89,578</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at June 30, 2012 and 2011:

<i>Description</i>	<u>2012</u>			
	<i>Fair Value</i>	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>
U.S. Government Securities	\$ 13,166	\$ -	\$ 13,166	\$ -
Municipal Bond	24,985	-	24,985	-
Corporate Bonds	37,251	-	37,251	-
Domestic Equity Securities	258,567	258,567	-	-
Foreign Equity Securities	<u>37,767</u>	<u>37,767</u>	-	-
Total	<u>\$ 371,736</u>	<u>\$ 296,334</u>	<u>\$ 75,402</u>	<u>\$ -</u>

<i>Description</i>	<u>2011</u>			
	<i>Fair Value</i>	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>
U.S. Government Securities	\$ 31,800	\$ -	\$ 31,800	\$ -
Municipal Bond	22,620	-	22,620	-
Corporate Bonds	38,187	-	38,187	-
Domestic Equity Securities	294,770	294,770	-	-
Foreign Equity Securities	<u>38,435</u>	<u>38,435</u>	-	-
Total	<u>\$ 425,812</u>	<u>\$ 333,205</u>	<u>\$ 92,607</u>	<u>\$ -</u>

Fair value of equity securities is based on quoted prices in active markets.

## **Junior Achievement of Northern New England, Inc.**

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

### **4. *Investments - Continued***

The fair values of level 2 investments are determined using the income approach. The income approach to fair value measurement estimates the fair value by calculating the present value of future cash flows that the asset is expected to generate over its lifetime. The cash flows are discounted to the measurement date at rate of return that is required to compensate with the risk associated with receipt of the future cash flows.

### **5. *Endowment***

The Organization's endowment consists of ten individual funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restrictions require the Organization to maintain these net assets in perpetuity.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified portfolio of liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price. The goal is, net of spending, to grow the aggregate portfolio value of the endowment by at least the rate of inflation, which based on historical trends, is estimated to be 3% per annum over the Organization's investment horizon (5 years), while adhering to the risk parameters established in the investment policy. Actual returns in any given year may vary from this amount.

**Junior Achievement of Northern New England, Inc.**

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

**5. *Endowment - Continued***

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Organization has a policy of appropriating for distribution each year annual an amount which exceeds the 3% per annum rate of return required to retain the endowments' purchasing power.

A summary of the endowment activity is as follows:

	<i>2012</i>	<i>2011</i>
Endowment net assets - beginning of year	\$ <u>636,090</u>	\$ <u>554,150</u>
Investment return:		
Investment income	10,139	10,659
Net appreciation (realized and unrealized)	<u>(1,689)</u>	<u>81,940</u>
Total investment return	8,450	92,599
Contributions	40,000	-
Withdrawals	(6,550)	(6,653)
Fees	<u>(3,589)</u>	<u>(4,006)</u>
Endowment net assets - end of year	674,401	636,090
Less permanently restricted net assets	(360,000)	(467,500)
Less temporarily restricted net assets	<u>(134,924)</u>	<u>(168,590)</u>
Endowment unrestricted net assets	<u>\$ 179,477</u>	<u>\$ -</u>

During the years ended June 30, 2012, 2011 and 2010, the Organization borrowed \$50,000, \$157,000 and \$65,000, respectively, (a total of \$272,000) from the endowment to fund operations in accordance with their Fund Spending and Borrowing Policy Statement. Interest earned for this borrowing that will be credited to the endowment upon repayment totaled and \$7,312, \$4,894, and \$1,230, respectively, for the years then ended. The Organization intends to repay these loans when funds are available.

**6. *Inkind Contributions***

In-kind contributions of services and materials to support programs and special events have been recorded at fair value as both revenue and expense in the accompanying statements of activities. For the years ended June 30, 2012 and 2011, in-kind contributions totaled \$224,686 and \$294,641, respectively.

**Junior Achievement of Northern New England, Inc.**  
Notes to Financial Statements - *Continued*  
June 30, 2012 and 2011

**7. *Lease Commitments***

The Organization leases its office facility under an operating lease that expires on January 31, 2016. Rent expense for the years ended June 30, 2012 and 2011 totaled \$64,409 and \$65,876, respectively. Future minimum rent under this operating lease is as follows:

<i>June 30,</i>	<i>Amount</i>
2013	65,446
2014	68,599
2015	71,754
2016	<u>42,316</u>
Total	<u>\$ 248,115</u>

**8. *Related Party Transactions***

The Organization pays JA USA an annual license fee calculated as a percentage of revenues generated. The franchise fee expense for the years ended June 30, 2012 and 2011 was \$44,492 and \$46,684, respectively.

The Organization also purchases program insurance and certain program materials from JA USA. Such purchases for the years ended June 30, 2012 and 2011 amounted to \$130,561, and \$140,335, respectively.

Amounts due to JA USA at June 30, 2012 and 2011 totaled \$0 and \$895, respectively.

**9. *Pension Plan***

The Organization participates in a pension plan (the Plan) sponsored by JA USA. The Plan covers all employees with at least one year and 1,000 hours of service. Benefits are determined based on years of service and salary history. The Plan is funded by participating employers as assessed by JA USA. The Organization recognizes its required contribution for the year as pension expense and recognizes unpaid contributions required for the year as a liability. Plan assets are invested by JA USA. Participating employers who withdraw from the Plan remain liable for accumulated funding obligations. Total pension expense for the years ended June 30, 2012 and 2011 was \$38,853 and \$62,597, respectively, and is included in salaries and related expenses in the statements of functional expenses. At June 30, 2012 and 2011 there were no unpaid contributions.

**Junior Achievement of Northern New England, Inc.**

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

**10. Concentrations of Credit Risk**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2012 and 2011 consisted of the following:

<i>Description</i>	<i>2012</i>	<i>2011</i>
Net appreciation on endowment investments	\$ 119,721	\$ 168,590
Program restricted	<u>45,244</u>	<u>35,000</u>
Total	<u>\$ 164,965</u>	<u>\$ 203,590</u>

**12. Subsequent Events**

The Organization has evaluated subsequent events through December 10, 2012, which is the date the financial statements were available to be issued.

Subsequent to year end, donors of permanently restricted net assets totaling \$247,500 authorized the release of the restrictions on those net assets. The principal and related investment gains of \$47,160 have been reclassified to unrestricted net assets in the June 30, 2012 financial statements.

No other material subsequent events have occurred since June 30, 2012 that requires recognition or disclosure in these financial statements.



## **SUPPLEMENTAL INFORMATION**

**Junior Achievement of Northern New England, Inc.**  
Financial Information Schedule  
(As Prescribed By JA USA)  
For the Year ended June 30, 2012

**Audited Revenue Subject to License Fee**

Area ID 100901

Junior Achievement of Northern New England

For Year Ending June 30, 2012

**Revenue per Audit:**

Total Unrestricted Revenue	\$ 1,484,827
Total Permanently Restricted Revenue	40,000
Add in Prior Year Pledges - Gross	121,852
Subtract Current Year Pledges - Gross	(86,594)
Add Special Event Expenses if Net Special Event was presented:	<u>283,807</u>
Adjusted Total Revenue:	1,843,892

**Subtract:**

In-Kind	(98,995)
In-Kind Special Event	(125,691)
Other Income - from Statement of Activities, Inclusive of Investment and Interest Income	(9,320)
Realized Gains/Losses (other than temporarily restricted)	-
Unrealized Gains/Losses (other than temporarily restricted)	-
Rental Income	-
Passthrough from Junior Achievement USA, if it was exempt from License Fee	(104,592)
Actual Pledges Write-offs	-
* Capital Campaign	-
* Scholarships for Higher Education	<u>-</u>

**Total Subject to License Fee:** \$ 1,505,294

**License Fee Calculated:** \$ 48,695  
(9% of first \$300,000, 1.8% over \$300,000)

\* Must have signed waivers

**Junior Achievement of Northern New England, Inc.**  
Financial Information Schedule  
(As Prescribed By JA USA)  
For the Year ended June 30, 2012

Area ID 100901

Fiscal Year Ending June 30, 2012

**Other Income:**

Interest and dividends	\$	10,138
Investment Fees		(3,493)
Other Income		<u>2,675</u>
<b>Total Other Income</b>	<b>\$</b>	<b><u>9,320</u></b>

**Junior Achievement of Northern New England, Inc.**  
 Financial Information Schedule  
 (As Prescribed By JA USA)  
 For the Year ended June 30, 2012

Area ID 100901

Fiscal Year Ending June 30, 2012

Passthrough from JA USA:

<i>Purpose/Donor</i>	<i>Date</i>	<i>Check #</i>	<i>Amount</i>	<i>Exempt</i>	<i>Not Exempt</i>
ING	7/8/2011	131325	\$ 15,000	\$ 15,000	\$ -
2011 NLC - BAGS	8/19/2011	131647	191	191	-
	10/21/2011	132149	5,228	-	-
Finders Fee			-	4,500	-
PayPal					728
GEN RE 2011	1/20/2012	132883	1,500	1,500	-
2012 TD AMERITRADE	2/3/2012	132962	8,000	8,000	-
2011 STATE STREET	2/10/2012	133042	56,288	56,288	-
PAYPAL 2/7/12	3/2/2012	133169	4,226	-	4,226
	3/9/2012	133274	7,595	-	-
STATE ST CAMPAIGN			-	7,382	-
PAYPAL 2/15/12			-	-	213
FEDEX/NFL	4/6/2012	133574	2,000	2,000	-
STATE ST 3/27/12	4/20/2012	133698	2,806	2,806	-
STATE ST 4/30/12	5/18/2012	133949	4,149	4,149	-
STATE ST 5/15/12	6/8/2012	134093	<u>2,775</u>	<u>2,775</u>	<u>-</u>
<b>Total</b>			<u>\$ 109,758</u>	<u>\$ 104,592</u>	<u>\$ 5,166</u>
<b>Total Exempt Passthrough</b>				<u>\$ 104,592</u>	