



**Junior
Achievement**[™]
of Central Virginia

**JUNIOR ACHIEVEMENT OF
CENTRAL VIRGINIA, INC.**

FINANCIAL REPORT

June 30, 2023

 **BROWN EDWARDS**
certified public accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Junior Achievement of Central Virginia, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Junior Achievement of Central Virginia, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

As discussed in Note 6 to the financial statements, in 2023, the Organization adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Your Success is Our Focus

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organizations' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Glen Allen, Virginia
November 6, 2023

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2023, with Comparative Totals as of June 30, 2022

ASSETS	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,415,377	\$ 1,143,756
Contributions receivable, net, current portion		
Programs and other support, net of allowance for doubtful accounts of \$5,000 for 2023 and 2022	25,795	169,661
Restricted to capital campaign	10,000	12,000
Donated rent receivable	230,566	224,286
Pledges receivable - time restricted	70,000	-
Employee Retention Credit receivable	-	124,402
Inventory, program materials	3,031	220
Prepaid expenses and other assets	11,043	8,476
Total current assets	<u>1,765,812</u>	<u>1,682,801</u>
LONG-TERM ASSETS		
Contributions receivable, net, less current portion		
Programs and other support	20,408	44,230
Restricted to capital campaign	9,070	18,861
Donated rent receivable	794,212	1,024,778
Property and equipment, net	<u>772,463</u>	<u>950,850</u>
Total long-term assets	<u>1,596,153</u>	<u>2,038,719</u>
OTHER ASSETS		
Right-of-use assets - operating leases	<u>324,028</u>	<u>-</u>
Total assets	<u><u>\$ 3,685,993</u></u>	<u><u>\$ 3,721,520</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,232	\$ 1,972
Accrued liabilities	7,348	38,543
Short-term lease liabilities - operating leases	<u>60,801</u>	<u>-</u>
Total current liabilities	<u>70,381</u>	<u>40,515</u>
LONG-TERM LIABILITIES		
Long-term lease liabilities - operating leases	<u>292,636</u>	<u>-</u>
Total liabilities	<u>363,017</u>	<u>40,515</u>
NET ASSETS		
Net assets without donor restrictions	2,099,698	2,214,342
Net assets with donor restrictions	<u>1,223,278</u>	<u>1,466,663</u>
Total net assets	<u>3,322,976</u>	<u>3,681,005</u>
Total liabilities and net assets	<u><u>\$ 3,685,993</u></u>	<u><u>\$ 3,721,520</u></u>

The Notes to Financial Statements are an integral part of this statement.

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023, with Comparative Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
PUBLIC SUPPORT AND REVENUES				
Contributions				
Corporate	\$ 549,050	\$ 161,000	\$ 710,050	\$ 483,327
Individual	90,226	-	90,226	76,527
Foundations	79,562	-	79,562	63,500
Government	59,598	-	59,598	248,677
Total contributions	778,436	161,000	939,436	872,031
Special events, gross	206,234	-	206,234	267,164
In-kind contributions	42,697	-	42,697	41,083
Interest income	13,879	-	13,879	-
Other income	5,965	-	5,965	16,519
	1,047,211	161,000	1,208,211	1,196,797
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of program restrictions	404,385	(404,385)	-	-
Total public support and revenues	1,451,596	(243,385)	1,208,211	1,196,797
EXPENSES				
Program services				
High school programs	1,181,191	-	1,181,191	1,065,658
Middle school programs	87,148	-	87,148	79,787
Elementary school programs	24,528	-	24,528	9,704
Total program services	1,292,867	-	1,292,867	1,155,149
Supporting services				
Management and general	156,532	-	156,532	144,003
Fund raising	116,841	-	116,841	134,630
Total supporting services	273,373	-	273,373	278,633
Total expenses	1,566,240	-	1,566,240	1,433,782
Change in net assets	(114,644)	(243,385)	(358,029)	(236,985)
NET ASSETS, beginning	2,214,342	1,466,663	3,681,005	3,917,990
NET ASSETS, ending	\$ 2,099,698	\$ 1,223,278	\$ 3,322,976	\$ 3,681,005

The Notes to Financial Statements are an integral part of this statement.

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023, with Comparative Totals for the Year Ended June 30, 2022

	Program Services				Supporting Services			Totals	
	High School	Middle School	Elementary School	Total Program	Management & General	Fund Raising	Total Supporting	2023	2022
Salaries	\$ 372,945	\$ 46,240	\$ 13,669	\$ 432,854	\$ 74,234	\$ 16,772	\$ 91,006	\$ 523,860	\$ 458,994
Payroll taxes	28,247	3,495	1,036	32,778	5,575	1,260	6,835	39,613	35,146
Employee benefits	42,908	4,924	1,739	49,571	6,000	1,355	7,355	56,926	37,647
Retirement	11,086	1,373	406	12,865	2,194	496	2,690	15,555	7,247
Subtotal	455,186	56,032	16,850	528,068	88,003	19,883	107,886	635,954	539,034
Bad debts	2,675	380	95	3,150	857	194	1,051	4,201	11,173
Bank fees	1,181	168	42	1,391	379	85	464	1,855	2,349
Computer maintenance	12,354	1,755	438	14,547	3,959	894	4,853	19,400	20,249
Depreciation	181,920	272	68	182,260	237	139	376	182,636	181,853
Dues and subscriptions	3,793	539	134	4,466	1,216	275	1,491	5,957	2,957
JA Finance Park expenses	53,026	-	-	53,026	-	-	-	53,026	3,154
Fundraising	-	-	-	-	-	4,658	4,658	4,658	4,173
General insurance	8,426	1,197	299	9,922	2,700	610	3,310	13,232	13,088
Leased equipment	1,574	224	56	1,854	504	114	618	2,472	4,237
Meetings	1,603	228	57	1,888	514	116	630	2,518	3,625
Miscellaneous	435	62	15	512	141	31	172	684	7,426
Participation fees	97,860	13,899	3,469	115,228	31,358	7,085	38,443	153,671	149,094
Postage and delivery	252	36	9	297	81	18	99	396	537
Professional fees	12,329	1,751	437	14,517	3,951	893	4,844	19,361	21,246
Program materials	1,683	573	56	2,312	-	-	-	2,312	451
Property taxes	1,322	188	47	1,557	423	96	519	2,076	2,468
Public relations	10,193	1,448	361	12,002	3,266	738	4,004	16,006	16,056
Rent	313,271	5,967	1,489	320,727	13,462	3,042	16,504	337,231	337,231
Scholarships	5,000	-	-	5,000	-	-	-	5,000	7,500
Special events	-	-	-	-	-	76,731	76,731	76,731	80,095
Staff training	4,101	582	145	4,828	1,314	297	1,611	6,439	4,197
Office Supplies	5,812	825	206	6,843	1,862	421	2,283	9,126	10,803
Telephone	7,172	1,019	254	8,445	2,298	519	2,817	11,262	10,772
Travel	23	3	1	27	7	2	9	36	14
Total expenses	\$ 1,181,191	\$ 87,148	\$ 24,528	\$ 1,292,867	\$ 156,532	\$ 116,841	\$ 273,373	\$ 1,566,240	\$ 1,433,782

The Notes to Financial Statements are an integral part of this statement.

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

OPERATING ACTIVITIES

Change in net assets	\$ (358,029)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation	182,636
Amortization of right of use asset - operating lease	52,524
Donated rent included in contributions receivable	224,286
Contributions restricted for long-term purposes	1,113
Decrease (increase) in operating assets:	
Contributions receivable	167,688
Pledges receivable - time restricted	(70,000)
Employee Retention Credit receivable	124,402
Inventory, program materials	(2,811)
Prepaid expenses	(2,567)
Increase (decrease) in operating liabilities:	
Accounts payable	260
Accrued liabilities	547
Operating lease liabilities	(54,857)
Net cash and cash equivalents provided by operating activities	<u>265,192</u>

INVESTING ACTIVITIES

Acquisition of property and equipment	<u>(4,250)</u>
Net cash and cash equivalents used in investing activities	<u>(4,250)</u>

FINANCING ACTIVITIES

Cash contributions for long-term purposes	<u>10,679</u>
Net cash and cash equivalents provided by financing activities	<u>10,679</u>
Net increase in cash	271,621

CASH AND CASH EQUIVALENTS, beginning 1,143,756

CASH AND CASH EQUIVALENTS, ending \$ 1,415,377

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Adoption of FASB ASC 842	
Right-of-use assets – operating leases	\$ 376,552
Accrued rent applied	31,742
Operating lease liabilities incurred	<u>(408,294)</u>
Cash paid to acquire right-of-use asset	<u><u>\$ -</u></u>

The Notes to Financial Statements are an integral part of this statement.

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of the organization

Junior Achievement of Central Virginia, Inc. (the Organization) is a regional franchise of Junior Achievement USA®, which is a national nonprofit organization. The primary purpose of the Organization is to deliver educational programs about free enterprise, personal finance, and economics to public and private schools in Central Virginia to prepare students for key economic and workforce issues they will face.

A summary of the Organization's significant accounting policies follows:

Financial statement presentation

Under current accounting standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The net asset classes are summarized as follows:

Net assets without donor restrictions include resources that can be used currently for the general operations and programs of the Organization.

Net assets with donor restrictions include contributions restricted by donor designation and are reported as increases in net assets with donor restrictions. When a restriction expires, contributions with donor restrictions are released and reclassified to without donor restrictions.

Basis of accounting

The financial statements are presented on the accrual basis of accounting.

Use of estimates

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

Cash and cash equivalents

For purposes of reporting the statement of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position. The Organization may, at times, have cash in excess of insured limits. The Organization's cash is in institutions whose credit ratings are monitored by management to minimize the concentration of credit risk. At June 30, 2023, the Organization had a cash balance that was in excess of insured limits.

(Continued)

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Donations or contributions of assets other than cash and gifts-in-kind are recorded at their estimated fair market value. Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Contributions receivable are carried at net present value less an estimate made for doubtful accounts based on a review of all outstanding amounts on a regular basis. Management determines the allowance by calculating the average of the actual write-off percentage for the preceding five-year period. A \$5,000 allowance was deemed necessary by management at June 30, 2023. Receivables are written off when deemed uncollectible.

The contributions receivable included as a long-term asset are expected to be collected between 2024 - 2025. At June 30, 2023, a discount of \$3,022 was recorded utilizing a discount rate of 10.25%.

Inventory

Inventory, consisting of program materials, is recorded at cost.

Property and equipment

Acquisitions of property and equipment are recorded at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 3 to 10 years.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contributions under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization is subject to tax on any unrelated business income that it may generate.

The Organization follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions." This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The Organization has determined that it does not have any material unrecognized tax benefits or obligations at June 30, 2023. The tax years of 2020 to 2022 remain subject to examination by the taxing authorities.

(Continued)

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Organization includes penalties and interest assessed by income taxing authorities in management and general expenses. The Organization did not have penalties and interest relating to income taxes for the year ended June 30, 2023.

Revenue recognition

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The Organization's revenue consists of contributions, grants, special events, and program income generally from the areas in and around metro Richmond. Below is a summary of the Organization's significant revenue streams:

Contributions and grants:

The Organization receives contributions and grants to fund the mission of the Organization. These revenues are scoped out of ASC 606 and are recorded in the year which the promise to give is made, in accordance with ASC 958.

Special events and program services:

The Organization will hold numerous special events and program services throughout the year to help promote the Organization's mission in the community and raise funds for the Organization. The revenue from these events is recognized as special events are held or program services are provided according to ASC 606.

Donations in-kind

Donated materials, equipment, and services, which enhance financial assets or would otherwise be purchased, are reflected as contributions in the accompanying financial statements at the estimated fair value of similar goods and services at the date of donation. A substantial number of volunteers have donated approximately 5,465 hours of volunteer time during the current year to the Organization's program services and its fundraising campaigns; however, these services did not meet the recognition criteria contained in the authoritative literature.

Affiliations and participation fees

The Organization is affiliated with Junior Achievement USA®, the national headquarters for all Junior Achievement franchises. Junior Achievement USA® performs all research and development on educational materials and provides information on programming, training, marketing, and fund raising for a fee, at a discount, to its franchises. The Organization pays an annual fee to Junior Achievement USA®. The total license fee paid for the year ending June 30, 2023 was \$153,671.

(Continued)

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited and functions served. Expenses requiring allocation on a reasonable basis are consistently applied. Indirect expense includes salaries/benefits, depreciation, rent, and other expenses. These are allocated based on a percentage of staff time spent in program or supporting service areas.

Adoption of FASB ASC 842

Effective July 1, 2022, the Organization adopted FASB ASC 842, Leases. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets – operating of \$376,552 and operating lease liabilities of \$408,294. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations, cash flows, or debt covenants. See Note 6.

Note 2. Property and Equipment

Property and equipment consist of the following at June 30, 2023:

Furniture and fixtures	\$ 7,993
Equipment	126,003
Finance Park	1,800,000
Finance Park Technology	92,766
Finance Park Career Center	<u>354,375</u>
	2,381,137
Less accumulated depreciation	<u>1,608,674</u>
	<u>\$ 772,463</u>

Note 3. Line of Credit

The Organization has a revolving line of credit with a maximum borrowing amount of \$110,000 and is secured by all of the Organization's assets. At June 30, 2023, interest accrues on the outstanding balance at a rate of the index (prime rate) plus 2% (currently 10.25%). There was no amount outstanding under the line of credit during the year then ended June 30, 2023. There are no financial covenants required by the lending institution. The line matures in January 2024.

(Continued)

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 4. Multiemployer Benefit Plans

Pension Plan

Effective September 30, 2014, the Organization elected to freeze its participation in the noncontributory defined benefit pension plan (the Plan) described below. Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan was administered by the Organization and covered all fulltime employees of the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas in the United States. Benefits were determined based on years of service and salary history. The Plan's assets were invested in a variety of investment funds until 2019, when a substantial portion of the portfolio was placed into fixed income mutual funds, and 2020, when Plan assets were converted to cash and cash equivalents. Prior to June 30, 2019, in accordance with the plan documents, the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas made contributions to the plan equal to 16.75% of participants' eligible compensation. The Organization recognized, as net pension cost, the required contribution for the period and recognized, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization.

During 2019, the Board of Directors of the Organization approved the termination of the pension plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan required that participating employers (including the Organization) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied. As a result, during 2020, in accordance with the plan documents, the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas continued to make contributions equal to 13.25% of participants' eligible compensation.

During 2020, Plan participants elected the mode of their distribution (whether lump-sum or annuity) and the Plan liquidated and distributed benefit payments accordingly. The Plan engaged an insurance company to assume the annuity portfolio, and as of June 30, 2020, substantially all benefit obligations of the Plan had either been paid (lump-sum elections) or transferred (annuity elections). The remaining assets in the Plan of approximately \$5.5 million at June 30, 2022 and 2021, are restricted for additional benefit payments, if any, plus future termination and other required administrative expenses. Approximately \$4 million of the plan's assets are expected to be returned to JA USA to repay the funds JA USA had advanced to the Plan to help ensure it was fully funded.

Upon the conclusion of any necessary administrative proceedings and the final review by the Pension Benefit Guarantee Corporation (PBGC), any remaining Plan assets will first be used to pay any final administrative costs, next will be used to repay advances from JA USA, described above, and lastly, will be distributed to participating employers on a pro-rata basis. During 2023, the PBGC approved the termination of the defined benefit pension plan. As a result of the termination and after all plan expenses were paid by JA USA, the Organization received a refund of \$4,361, which has been recorded as other income on the statement of activities.

(Continued)

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 4. Multiemployer Benefit Plans (Continued)

Health and Welfare Benefits Trust

The Organization has a self-funded medical, dental, and other benefits plan covering full-time employees of the Organization and their beneficiaries and covered dependents. The plan is accounted for like a multi-employer plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. Employees of the Organization, JA Worldwide, Inc. and employees of Junior Achievement Areas in the United States can participate in the Health and Welfare Plan. All the assets and liabilities of the Health and Welfare Plan are held in the Junior Achievement USA Health and Welfare Benefits Trust (Benefits Trust). Accordingly, no balances or transactions of the Benefits Trust are recorded in the financial statements of the Organization.

Postretirement Benefits Plan

The Health and Welfare Plan also offers health care benefits to retired personnel of the participating employees. This creates an implicit rate subsidy, which is considered to be a postretirement benefit. Management of the Organization does not believe the implicit rate subsidy amount to be material to the Organization, especially since the Plan is a multi-employer plan. Accordingly, no balances or transactions of the Postretirement Benefits Plan are recorded in the financial statements of the Organization.

The Organization's premium expense for the Health and Welfare Plan for the year ended June 30, 2023 was \$56,927.

Note 5. 401(k) Plan

Starting on July 1, 2019, the Organization implemented a 401(k) multiple employer profit-sharing plan covering substantially all employees. The Organization contributes 3% of eligible employees' wages to the plan. Contributions to the plan were \$15,555 for the year ended June 30, 2023.

Note 6. Leases – Lessee

The Organization leases an office building for its corporate office space with various initial terms. The lease agreement is for 123 months ending May 31, 2027.

The Organization also entered into a lease effective October 30, 2017, for space to be used for JA Finance Park. The lease expires in September 2035, with monthly rent at \$1,000. Based on market data provided from the independent lessor, the fair market value of the space is \$22,605 per month. For the year ended June 30, 2018, the Organization recognized an in-kind contribution and donated rent receivable of \$2,295,631, which was the present value of the total in-kind rent contribution of \$2,592,600. The present value of the in-kind rent contributions was calculated using a discount rate of 2.8%. For the year ended June 30, 2023, net assets released from restrictions and rent expense of \$224,286 were recorded in connection with the lease agreement.

(Continued)

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6. Leases – Lessee (Continued)

The lease agreements do not include any material residual value guarantees or restrictive covenants. The Organization's lease arrangements may contain both lease and non-lease components. The Organization has elected to combine and account for lease and non-lease components as a single lease component for its lease. The discount rates are based on estimates of the Organization's incremental borrowing rate, as the discount rates implicit in the Organization's leases cannot be readily determined.

The component of lease expenses for the year ended June 30, 2023 was the following:

Operating lease cost	\$ 77,971
In kind lease expense	\$ 259,260

Weighted average lease term and discount rates as of June 30, 2023 were as follows:

Weighted average remaining lease term – operating	6.28 years
Weighted average discount interest rate – operating	6.75%

Lease liability maturities as of June 30, 2023, are as follows:

	<u>Operating leases</u>
2024	\$ 82,353
2025	84,463
2026	86,637
2027	82,343
2028	12,000
Thereafter	<u>87,000</u>
Total undiscounted cash flows	434,796
Less: present value discount	<u>(81,359)</u>
Present value of lease liability	<u>\$ 353,437</u>

Total rental expense for the year ended June 30, 2023 was \$337,231.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 were available for the following purposes:

Time restrictions	\$ 198,500
Education programs	<u>1,024,778</u>
	<u>\$ 1,223,278</u>

(Continued)

JUNIOR ACHIEVEMENT OF CENTRAL VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions for the year ended June 30, 2023, by incurring expenses satisfying the restricted purposes as follows:

Time restrictions	\$ 96,000
Education programs	<u>308,385</u>
	<u>\$ 404,385</u>

Note 8. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of June 30, 2023:

Cash and cash equivalents	\$ 1,415,377
Contributions receivable	<u>336,361</u>
Total financial assets	1,751,738
Less net assets with donor restrictions (Note 7)	<u>(1,223,278)</u>
Amount available for general expenditures within one year	<u>\$ 528,460</u>

The Organization only holds liquid assets consisting of cash and cash equivalents. The Organization uses a budgeting process to manage its cash flow and liquidity needs. The Organization also has a line of credit available with no balance at June 30, 2023.

Note 9. Subsequent Events

Management has evaluated subsequent events through November 6, 2023, the date that the financial statements were available for issue.

Note 10. Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.