

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.

Financial Statements
Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Junior Achievement of New Mexico, Inc.
Albuquerque, New Mexico

We have audited the accompanying financial statements of Junior Achievement of New Mexico, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of New Mexico, Inc. as of June 30, 2018 and 2017, and the

Junior Achievement of New Mexico, Inc.
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changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Burt & Company CPAs, LLC
Burt & Company CPAs, LLC

December 14, 2018

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
 Statements of Financial Position
 June 30, 2018 and 2017

| | <u>Assets</u> | <u>2018</u> | <u>2017</u> |
|---|---------------|------------------|----------------|
| Current assets: | | | |
| Cash | | \$ 28,083 | 24,051 |
| Accounts receivable | | 10,515 | 1,500 |
| Unconditional promises to give | | 14,000 | - |
| Prepaid expenses | | <u>5,027</u> | <u>5,527</u> |
| Total current assets | | 57,625 | 31,078 |
| Long-term assets: | | | |
| Fixed assets, net of accumulated depreciation | | <u>-</u> | <u>468</u> |
| Total long-term assets | | <u>-</u> | <u>468</u> |
| Total assets | | <u>\$ 57,625</u> | <u>31,546</u> |
| <u>Liabilities and Net Assets</u> | | | |
| Current liabilities: | | | |
| Accounts payable | | \$ 12,159 | 12,217 |
| Other payables | | 12,675 | 8,404 |
| Line of credit | | <u>-</u> | <u>20,000</u> |
| Total current liabilities | | <u>24,834</u> | <u>40,621</u> |
| Total liabilities | | 24,834 | 40,621 |
| Net assets: | | | |
| Unrestricted | | 18,791 | (9,075) |
| Temporarily restricted | | <u>14,000</u> | <u>-</u> |
| Total net assets | | <u>32,791</u> | <u>(9,075)</u> |
| Total liabilities and net assets | | <u>\$ 57,625</u> | <u>31,546</u> |

The accompanying notes are an integral part of the financial statements.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
 Statements of Activities
 For the year ended June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|----------------|
| Public Support and Revenues: | | | |
| Contributions: | | | |
| Corporate | \$ 140,512 | 14,000 | 154,512 |
| Individual | 15,763 | - | 15,763 |
| Foundations | 37,050 | - | 37,050 |
| Total contributions | <u>193,325</u> | <u>14,000</u> | <u>207,325</u> |
| Special events | 100,796 | - | 100,796 |
| Less special event expenses | <u>24,186</u> | <u>-</u> | <u>24,186</u> |
| Special events, net | 76,610 | - | 76,610 |
| In-kind contributions | 24,344 | - | 24,344 |
| Net assets released from restrictions | <u>-</u> | <u>-</u> | <u>-</u> |
| Total public support and revenues | 294,279 | 14,000 | 308,279 |
| Expenses: | | | |
| Program | 201,863 | - | 201,863 |
| Management and general | 41,369 | - | 41,369 |
| Fundraising | <u>23,181</u> | <u>-</u> | <u>23,181</u> |
| Total expenses | <u>266,413</u> | <u>-</u> | <u>266,413</u> |
| Change in net assets | 27,866 | 14,000 | 41,866 |
| Net assets, beginning of year | <u>(9,075)</u> | <u>-</u> | <u>(9,075)</u> |
| Net assets, end of year | <u>\$ 18,791</u> | <u>14,000</u> | <u>32,791</u> |

The accompanying notes are an integral part of the financial statements.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
 Statements of Activities
 For the year ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|----------------|
| Public Support and Revenues: | | | |
| Contributions: | | | |
| Corporate | \$ 125,820 | - | 125,820 |
| Individual | 11,623 | - | 11,623 |
| Foundations | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| Total contributions | 162,443 | - | 162,443 |
| Special events | 54,864 | - | 54,864 |
| Less special event expenses | <u>24,011</u> | <u>-</u> | <u>24,011</u> |
| Special events, net | 30,853 | - | 30,853 |
| In-kind contributions | 21,968 | - | 21,968 |
| Net assets released from restrictions | <u>-</u> | <u>-</u> | <u>-</u> |
| Total public support and revenues | 215,264 | - | 215,264 |
| Expenses: | | | |
| Program | 181,948 | - | 181,948 |
| Management and general | 41,232 | - | 41,232 |
| Fundraising | <u>13,497</u> | <u>-</u> | <u>13,497</u> |
| Total expenses | <u>236,677</u> | <u>-</u> | <u>236,677</u> |
| Change in net assets | (21,413) | - | (21,413) |
| Net assets, beginning of year | <u>12,338</u> | <u>-</u> | <u>12,338</u> |
| Net assets, end of year | \$ <u>(9,075)</u> | <u>-</u> | <u>(9,075)</u> |

The accompanying notes are an integral part of the financial statements.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
 Statements of Functional Expenses
 For the year ended June 30, 2018

| | Program Expenses | Management and General | Fundraising | Total Expenses |
|----------------------------------|---------------------|---------------------------|-------------|-------------------|
| Personnel expenses: | | | | |
| Salaries | \$ 83,556 | 7,404 | 14,807 | 105,767 |
| Payroll taxes | 7,939 | 704 | 1,407 | 10,050 |
| Total personnel expenses | 91,495 | 8,108 | 16,214 | 115,817 |
| Other expenses: | | | | |
| Bank charges | - | 631 | - | 631 |
| Board meetings | - | 1,380 | - | 1,380 |
| Depreciation | 384 | 23 | 61 | 468 |
| Dues and subscriptions | 4,181 | 132 | 88 | 4,401 |
| Equipment rental and maintenance | 9,133 | 292 | 292 | 9,717 |
| Insurance | 1,542 | 94 | 244 | 1,880 |
| Interest | 1,276 | 78 | 202 | 1,556 |
| In-kind expenses | 23,370 | 487 | 487 | 24,344 |
| License fees | 25,050 | - | - | 25,050 |
| Office supplies | 922 | 56 | 146 | 1,124 |
| Other | 830 | 51 | 130 | 1,011 |
| Postage and delivery | 271 | 17 | 43 | 331 |
| Professional services | - | 29,051 | 3,228 | 32,279 |
| Program materials | 26,834 | - | - | 26,834 |
| Rent and utilities | 11,984 | 731 | 1,900 | 14,615 |
| Staff and volunteer recognition | - | 105 | - | 105 |
| Staff training | 802 | - | - | 802 |
| Telecommunications | 476 | 29 | 76 | 581 |
| Travel | 3,313 | 104 | 70 | 3,487 |
| Total other expenses | 110,368 | 33,261 | 6,967 | 150,596 |
| Total expenses | \$ 201,863 | 41,369 | 23,181 | 266,413 |

The accompanying notes are an integral part of the financial statements.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
 Statements of Functional Expenses
 For the year ended June 30, 2017

| | Program Expenses | Management and General | Fundraising | Total Expenses |
|----------------------------------|---------------------|---------------------------|---------------|-------------------|
| Personnel expenses: | | | | |
| Salaries | \$ 60,957 | 3,387 | 3,387 | 67,731 |
| Benefits | 4,512 | 251 | 251 | 5,014 |
| Payroll taxes | 4,993 | 277 | 277 | 5,547 |
| Total personnel expenses | <u>70,462</u> | <u>3,915</u> | <u>3,915</u> | <u>78,292</u> |
| Other expenses: | | | | |
| Bad debt expense | - | 275 | 275 | 550 |
| Bank charges | - | 677 | - | 677 |
| Board meetings | - | 434 | - | 434 |
| Depreciation | 723 | 40 | 40 | 803 |
| Dues and subscriptions | 933 | - | 311 | 1,244 |
| Equipment rental and maintenance | 7,413 | 412 | 412 | 8,237 |
| Insurance | 729 | 41 | 41 | 811 |
| Interest | 1,748 | 97 | 97 | 1,942 |
| In-kind expenses | 21,088 | 440 | 440 | 21,968 |
| License fees | 25,098 | - | - | 25,098 |
| Office supplies | 513 | 29 | 29 | 571 |
| Other | - | 215 | - | 215 |
| Postage and delivery | 236 | 64 | 236 | 536 |
| Professional services | 12,788 | 33,568 | 6,927 | 53,283 |
| Program materials | 23,177 | - | - | 23,177 |
| Rent and utilities | 13,712 | 762 | 762 | 15,236 |
| Staff and volunteer recognition | - | 251 | - | 251 |
| Staff training | 303 | - | - | 303 |
| Telecommunications | 225 | 12 | 12 | 249 |
| Travel | 2,800 | - | - | 2,800 |
| Total other expenses | <u>111,486</u> | <u>37,317</u> | <u>9,582</u> | <u>158,385</u> |
| Total expenses | <u>\$ 181,948</u> | <u>41,232</u> | <u>13,497</u> | <u>236,677</u> |

The accompanying notes are an integral part of the financial statements.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
 Statements of Cash Flows
 For the years ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|------------------|-----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 41,866 | (21,413) |
| Adjustments to reconcile the change in net assets to the net cash provided by operating activities: | | |
| Bad debt expense | - | 550 |
| Depreciation expense | 468 | 803 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (9,015) | (2,050) |
| Unconditional promises to give | (14,000) | 78,180 |
| Prepaid expenses | 500 | 2,240 |
| Accounts payable | (58) | (639) |
| Other payables | <u>4,271</u> | <u>907</u> |
| Total adjustments | <u>(17,834)</u> | <u>79,991</u> |
| Net cash provided by operating activities | 24,032 | 58,578 |
| Cash flows from financing activities: | | |
| Payments on the line of credit | (50,500) | (50,000) |
| Proceeds from borrowing on line of credit | <u>30,500</u> | <u>10,000</u> |
| Net cash used by financing activities | <u>(20,000)</u> | <u>(40,000)</u> |
| Net increase in cash and cash equivalents | 4,032 | 18,578 |
| Cash, beginning of year | <u>24,051</u> | <u>5,473</u> |
| Cash, end of year | \$ <u>28,083</u> | <u>24,051</u> |
| Supplemental disclosures: | | |
| Cash paid for interest | \$ <u>1,556</u> | <u>1,942</u> |

The accompanying notes are an integral part of the financial statements.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2018 and 2017

1. Nature of Organization

A. Nature of Activities

Junior Achievement of New Mexico (Organization) is a New Mexico not-for-profit organization, incorporated December 2, 1993, and serves students, kindergarten through high school, in numerous communities throughout the State of New Mexico. Junior Achievement's kindergarten through 12th grade programming provides students with relevant, age-appropriate, experiential programs that are delivered by career role models from the community. Students learn high demand skills such as leadership, teamwork and decision-making skills. Current operating programs begin with kindergarten and continue through 12th grade, providing exciting, eye-opening realizations about how our economy works, how to find and keep a job, making good personal economic choices, and the role that business plays in our lives. The Organization's programs are supported by contributions and income from special events.

B. National Organization Affiliation

The Organization operates under an operating agreement with JA USA, which is a not-for-profit organization that is international in scope and the parent organization for all franchised areas and divisions of JA USA. The operating agreement sets forth various responsibilities and authority of the parent organization and franchised organizations. Failure to comply with the operating agreement can result in the revocation of the operating charter of any franchised area or division. Participation fees expense was recognized in the amounts of \$25,050 and \$25,098 for 2018 and 2017, respectively.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization's net assets and revenues, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may or will be met by occurrence of a specific event or passage of time. At June 30, 2018 and 2017, temporarily restricted net assets totaled \$14,000 and \$0, respectively.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions. There were no permanently restricted net assets at June 30, 2018 or 2017.

B. Cash

Cash consists of deposits at local institutions. Deposits did not exceed FDIC at June 30, 2018 or 2017, respectively. The Organization may at times exceed the FDIC insurance limits during the year, but does not consider those balances at risk of loss.

C. Unconditional Promises to Give

Unconditional promises to give are recognized when promises of financial support are received, and payment is forthcoming. Promises to give that are expected to be collected in less than one year are recorded at their net realizable value. Promises to give that are collectible in one to five years are recorded at present value. All promises to give receivables are considered fully collectible and no allowance for uncollectible promises to give has been recorded.

D. Fixed Assets

The organization capitalizes all expenditures for fixed assets of \$500 or more and a useful life or more than one year. Fixed assets are carried at cost, if purchased, and at fair market value, if donated. Depreciation of fixed assets is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using straight-line methods. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Fixed asset estimated lives are as follows:

| | |
|------------------------------------|---------|
| Furniture, fixtures, and equipment | 3 years |
|------------------------------------|---------|

E. Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicated that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the assets, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less cost to sell.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

E. Long-Lived Assets (continued)

Long-lived assets were measured for impairment and no adjustments were deemed necessary during the years ended June 30, 2018 and 2017.

F. Compensated Absences

Full time and part-time employees qualify for vacation based on the number of years of service. Employees may carry unused vacation forward into the subsequent calendar year, not to exceed 40 hours.

G. Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

H. Donated Materials, Facilities and Services

Donated materials, facilities, and services, meeting the appropriate criteria, are recorded as in-kind contributions in the accompanying financial statements at their estimated fair market values as of the date received. During fiscal years 2018 and 2017, in-kind contributions in the amount of \$24,344 and \$21,968 were recorded, respectively. In-kind contributions consisted primarily of donated facilities, donated personnel services and donated items for special events. The donated facilities and personnel services were from companies owned by board members. See Note 8.

In-kind services are generally rendered to the educational programs where applicable. A substantial number of volunteers have donated significant amounts of their time to the Organization teaching its educational programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

I. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as other than a private foundation.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

I. Income Taxes (continued)

Management believes that there are no uncertain tax positions that would require recognition, measurement, or disclosure. Due to the statutes of limitations, the Organization is not subject to examination by tax authorities for years beginning before July 2014.

J. Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a natural expense basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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. Estimates may also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

L. Risk Management

The Organization is exposed to various risks of loss and torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and accident benefits. It is the policy of, and the Organization has, obtained commercial insurance coverage to protect itself against such losses.

M. Reclassification

Certain accounts for 2017 have been reclassified to conform to the current year presentation. The reclassifications have no effect on the net income for 2017.

3. Unconditional Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2018 and 2017

3. Unconditional Promises to Give (continued)

Unconditional promises to give consists of the following:

| | 2018 | 2017 |
|--|-----------|------|
| United Way allocation for next fiscal year | \$ 14,000 | - |
| | | |
| Amounts due in: | 2018 | 2017 |
| In one year or less | \$ 14,000 | - |
| One year to five years | - | - |
| | \$ 14,000 | - |

4. Fixed Assets

Fixed assets consists of the following for the years ending June 30:

| | 2018 | 2017 |
|------------------------------------|----------|---------|
| Furniture, fixtures, and equipment | \$ 2,409 | 2,409 |
| Total accumulated depreciation | (2,409) | (1,941) |
| Total fixed assets | \$ - | 468 |

For the years ended June 30, 2018 and 2017, depreciation expense was \$468 and \$803, respectively.

5. Line of Credit

The Organization has an unsecured \$69,000 revolving line of credit available from a bank with an interest of 5.85% (Bank of the West Prime Rate + 2.25%) due on demand. As of June 30, 2018 and 2017 the outstanding balance was \$0 and \$20,000, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

| | 2018 | 2017 |
|----------------------|-----------|------|
| Restricted for time: | | |
| United Way | \$ 14,000 | - |

There were no net assets released from donor restrictions during 2018 or 2017.

JUNIOR ACHIEVEMENT OF NEW MEXICO, INC.
Notes to Financial Statements
June 30, 2018 and 2017

7. Lease Obligations

The Organization leases office space under an operating lease. Monthly rent is \$1,250 and the lease expires in July 2019. See Note 10.

The Organization leased a photocopier for \$400 a month; the lease expired in June 2018.

Minimum payments for operating leases are as follows:

| | | |
|---------------|----|---------------|
| June 30, 2019 | \$ | 14,950 |
| June 30, 2020 | | 15,000 |
| June 30, 2021 | | <u>1,250</u> |
| | \$ | <u>31,200</u> |

8. Retirement Plan

The Organization participated in a defined benefit pension plan sponsored by the affiliate parent organization, JA USA. During year ended 2017, the Organization opted out of the defined benefit pension plan. Under the plan, the Organization made contributions, as determined by JA USA, based on an employee's salary and length of service. Contribution rates in fiscal year 2017 was 16.75%. Employees were eligible to become a member of the plan after completing a year of service of at least 1,000 hours in a twelve month period. Employees became 100% vested after three years of service. The Organization contributed \$3,040 to the plan during the year ended June 30, 2017.

9. Related Party Transactions

During the years ended June 30, 2018 and 2017 various board members provided in-kind services for the Organization. In addition, two companies that employ board members provided in-kind donations to the Organization, including rent and personnel services. See Note 2I.

10. Subsequent Events

In July 2018, the Organization adopted a simple IRA plan. All employees receiving \$5,000 or more in compensation may participate. The Organization can make contributions of 3% of an employee's salary.

Subsequent to year end, the Organization renewed its office lease agreement for monthly rent of \$1,250, expiring July 2021.

Management has evaluated subsequent events through December 14, 2018, the date which the financial statements were available to be issued.