

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010



Independent Auditor's Report

Board of Directors
Junior Achievement of South Texas, Inc.
San Antonio, Texas

We have audited the accompanying statements of financial position of Junior Achievement of South Texas, Inc. (a nonprofit corporation) as of June 30, 2010 and 2009, and the related statements of activities and functional expenses for the year ended June 30, 2010, and the statements of cash flows for the years ended June 30, 2010 and 2009. 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. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated September 10, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 South Texas, Inc. as of June 30, 2010 and 2009, and the changes in its net assets for the year ended June 30, 2010, and its cash flows for the years ended June 30, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

Sagebiel, Ravenburg & Schuh, P.C.

August 31, 2010

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JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 683,723	\$ 621,561
Accounts receivable	73,450	91,588
Prepaid expenses	<u>49,453</u>	<u>28,357</u>
Total current assets	<u>806,626</u>	<u>741,506</u>
Property and equipment:		
Machinery and equipment	141,245	141,245
Furniture and fixtures	<u>36,576</u>	<u>36,576</u>
	177,821	177,821
Less accumulated depreciation	<u>(167,752)</u>	<u>(161,864)</u>
	<u>10,069</u>	<u>15,957</u>
Other assets:		
Investments	<u>165,496</u>	<u>152,968</u>
	<u>\$ 982,191</u>	<u>\$ 910,431</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - trade	\$ 1,951	\$ 2,380
Accrued expenses	<u>42,901</u>	<u>4,150</u>
Total current liabilities	<u>44,852</u>	<u>6,530</u>
Net assets:		
Unrestricted - operations	896,965	832,269
Unrestricted - fixed assets	<u>10,069</u>	<u>15,957</u>
	907,034	848,226
Temporarily restricted - other	<u>30,305</u>	<u>55,675</u>
	<u>937,339</u>	<u>903,901</u>
	<u>\$ 982,191</u>	<u>\$ 910,431</u>

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

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	Unrestricted			Total	
	Operations	Fixed Assets	Temporarily Restricted	2010	2009
Public support and revenue:					
Public support:					
Special events:					
Gross revenues	\$ 993,299	\$ -	\$ 14,880	\$ 1,008,179	\$ 945,397
Less direct expenses	(249,037)	-	-	(249,037)	(233,220)
Net special events support	744,262	-	14,880	759,142	712,177
Contributions	352,470	-	-	352,470	351,371
Grants	227,864	-	-	227,864	228,681
In-kind	21,185	-	-	21,185	18,655
Total public support	1,345,781	-	14,880	1,360,661	1,310,884
Revenue:					
Program sales	48,854	-	-	48,854	42,634
Investment income	16,087	-	-	16,087	13,467
Miscellaneous	18,069	-	150	18,219	14,755
Total revenue	83,010	-	150	83,160	70,856
Net assets released from restrictions:					
Restrictions satisfied by payments	40,400	-	(40,400)	-	-
Total public support and revenue	1,469,191	-	(25,370)	1,443,821	1,381,740
Expenses:					
Program services	1,084,501	5,005	-	1,089,506	1,091,849
Supporting services:					
Management and general	104,752	442	-	105,194	99,670
Fund-raising	214,908	441	-	215,349	195,284
Total expenses	1,404,161	5,888	-	1,410,049	1,386,803
Change in net assets before unrealized losses	65,030	(5,888)	(25,370)	33,772	(5,063)
Unrealized loss on investments	(334)	-	-	(334)	(1,203)
Change in net assets	64,696	(5,888)	(25,370)	33,438	(6,266)
Net assets at beginning of year	832,269	15,957	55,675	903,901	910,167
Net assets at end of year	\$ 896,965	\$ 10,069	\$ 30,305	\$ 937,339	\$ 903,901

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

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

(With Comparative Totals For Year Ended June 30, 2009)

	Program Services	Supporting Services		Totals	
		General and Administrative	Fund-raising	2010	2009
Salaries and wages	\$ 459,570	\$ 53,283	\$ 153,190	\$ 666,043	\$ 625,483
Employee benefits	103,609	12,013	34,536	150,158	141,916
Payroll taxes	31,563	3,660	10,521	45,744	47,338
Total salaries and related expenses	594,742	68,956	198,247	861,945	814,737
Affiliation fees	35,861	11,954	-	47,815	46,228
Board expenses	110	110	110	330	1,336
Dues and subscriptions	1,552	349	349	2,250	2,353
Insurance	15,808	1,833	5,269	22,910	20,145
Maintenance and repairs	3,378	300	75	3,753	11,247
Miscellaneous	5,244	608	1,748	7,600	2,075
Occupancy	54,528	4,811	4,811	64,150	66,106
Outside services	42,964	10,741	-	53,705	38,675
Postage and delivery	2,664	309	888	3,861	2,416
Professional fees	9,038	1,506	1,506	12,050	11,100
Program materials	282,033	-	-	282,033	297,969
Public relations	4,008	-	-	4,008	5,431
Staff training and seminars	1,644	290	-	1,934	11,246
Supplies	10,655	927	-	11,582	18,637
Telephone	8,930	1,072	1,905	11,907	11,582
Travel	11,342	986	-	12,328	11,985
Volunteer expenses	-	-	-	-	27
Total expenses before depreciation	1,084,501	104,752	214,908	1,404,161	1,373,295
Depreciation	5,005	442	441	5,888	13,508
Total expenses	\$ 1,089,506	\$ 105,194	\$ 215,349	\$ 1,410,049	\$ 1,386,803

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

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

STATEMENT OF CASH FLOWS

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flow from operating activities:		
Change in net assets	\$ 33,438	\$ (6,266)
Noncash items included in operations:		
Depreciation expense	5,888	13,508
Unrealized loss on investments	334	1,203
Effect of changes in operating working capital:		
Accounts receivable	18,138	6,321
Prepaid expenses	(21,096)	28,832
Accounts payable	(429)	(26,036)
Accrued expenses	38,751	(19,600)
Net cash provided (used) by operating activities	<u>75,024</u>	<u>(2,038)</u>
Cash flows from investing activities:		
Change in investments	(12,862)	(6,095)
Purchase of property and equipment	<u>-</u>	<u>(7,192)</u>
Net cash used by investing activities	<u>(12,862)</u>	<u>(13,287)</u>
Cash flow from financing activities:		
Debt reduction - long term	<u>-</u>	<u>(6,807)</u>
Net cash used by financing activities	<u>-</u>	<u>(6,807)</u>
Net increase (decrease) in cash	62,162	(22,132)
Cash at beginning of year	<u>621,561</u>	<u>643,693</u>
Cash at end of year	<u>\$ 683,723</u>	<u>\$ 621,561</u>

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

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

1 NATURE OF ORGANIZATION

Junior Achievement of South Texas, Inc. (hereinafter referred to as JAST) is a nonprofit corporation affiliated with Junior Achievement Worldwide, a world wide nonprofit organization. JAST's mission is to ensure that every child has a fundamental understanding of the free enterprise system. JAST's purpose is to educate and inspire young people to value free enterprise, business, and economics to improve the quality of their lives. JAST's curriculum aligns with Texas education standards, provides a positive business role model, and forms an effective bridge between business and education.

- **Elementary School Program**

The foundation of its K-12 curricula. Seven sequential themes, each with five hands-on activities, work to change kids' lives by helping them understand business and economics.

- **Middle Grade Program**

Includes economics and business curricula for seventh and eighth grade students. The dynamic interaction between the volunteer and the students promotes active learning and brings theory to life.

- **High School Program**

Economic and business curricula for students in grades 9-12 and includes a student led enterprise. The dynamic interaction between the volunteer and the students promotes active learning and brings theory to life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of JAST have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of *financial statements of not-for-profit organizations*. JAST is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. JAST does not have any permanently restricted net assets.

Comparative Financial Information

The financial information for the year ended June 30, 2009, presented for comparative purposes, is not intended to be a complete financial statement presentation. It is included to provide a basis for comparison with the year ended June 30, 2010 and presents summarized totals only.

Donated Services and Facilities

JAST received donated services during 2010. No amounts have been recorded for donated services because the services do not meet the criteria for recognition as a contribution that is used by the Financial Accounting Standards Board when accounting for donations.

Office space valued at \$15,600 per year was donated to the Organization for the Laredo office and has been included in contributions and rent expense for the year ended June 30, 2010 in the accompanying financial statements.

Allocated Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and support services based on management estimates.

Income Taxes

JAST is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, JAST qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is a public charity, and is not a private foundation under Section 509(a)(2).

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support

JAST reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of monies on hand, and on deposit in checking and money market accounts.

Investments

Investments in marketable securities are stated at market.

Property and Equipment

JAST capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Maintenance and repairs are charged to expense. Depreciation is computed using the straight-line method.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Therefore, for instruments classified in levels 1 and 2 of the hierarchy, where inputs are principally based on observable market data, there is less judgment applied in arriving at a fair value measurement. For instruments classified within level 3 of the hierarchy, judgments are more significant. JAST's financial instruments and classification within the hierarchy are identified below:

Fair value of financial Instruments standards require disclosure of fair value information about financial instruments, whether or not recognized in the statement for financial position. The following methods and assumptions were used by JAST in estimating its fair value disclosures for financial instruments:

- * Cash and cash equivalents (level 1): The carrying amount reported in the statement of financial position approximates fair value because of the short-term maturities of those instruments.
- * Accounts receivable (level 3): The carrying amount approximates fair value because the majority of the amount receivable is due within one-year. A present value discount was calculated and determined to be insignificant; and therefore was not recorded in these financial statements.

Subsequent Events

JAST's management has evaluated subsequent events through August 31, 2010, the date which the financial statements were available for issue.

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 RECEIVABLES AND CREDIT RISK CONCENTRATION

On June 30, 2010 and 2009, JAST had more than the insured limit of \$250,000 in a financial institution. The amounts in excess of insured limits totaled \$452,762 and \$351,949, respectively. The Organization also has money market accounts that are not insured by the Securities Investors Protection Corporation. The Organization had \$160,778 in bonds and certificates of deposit.

Accounts receivable at June 30, 2010 represent amounts due from corporations, foundations and individuals.

Management analyzes aging of accounts receivable on a monthly basis. Accounts receivable are considered delinquent when they are over 30 days old. Payment trends by delinquent accounts are considered by management when writing off bad debts and estimating the allowance for doubtful accounts. During the year ended June 30, 2010, management wrote off \$2,150. Management estimated the allowance for doubtful accounts to be \$-0- at June 30, 2010. Accounts deemed to be uncollectible by management are charged to the allowance for doubtful accounts initially.

4 INVESTMENTS

Investments are carried at market value for financial statement purposes. A provision for unrealized gains or losses is made each year to adjust to the appropriate value. Realized and unrealized gains and losses are determined by comparison of cost to proceeds or market value, respectively. Cost is determined by historical purchase price or, in case of any donated investments, the fair market value of those investments at the date of the gift. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Investments are comprised of the following:

	2010		2009	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Corporate Bonds and Certificates of Deposit	\$ 137,107	\$ 160,778	\$ 137,107	\$ 147,934
Stocks	5,862	4,718	5,862	5,034
	<u>\$ 142,969</u>	<u>\$ 165,496</u>	<u>\$ 142,969</u>	<u>\$ 152,968</u>

5 REVENUE AND SUPPORT CONCENTRATIONS

Net proceeds from special events for the years ended June 30, 2010 and 2009 were \$759,142 and \$712,177, which represents 53% and 52% of total support and revenue, respectively.

6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	June 30,	
	<u>2010</u>	<u>2009</u>
Programs for 2010-2011	\$ 12,500	\$ 40,925
Konica/Minolta	2,775	12,950
Board dues	150	-
Half Marathon	14,880	1,800
	<u>\$ 30,305</u>	<u>\$ 55,675</u>

JUNIOR ACHIEVEMENT OF SOUTH TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 OPERATING LEASE

JAST has entered into non-cancellable operating lease agreements for rental of office equipment. The following are future minimum rental payments under these leases:

<u>Year ending June 30,</u>	
2011	12,710
2012	10,860
2013	10,860
2014	<u>1,810</u>
	<u>\$ 36,240</u>

During the year ended June 30, 2010, rental expense was \$21,960.

8 FUND-RAISING EXPENSES

Total fund-raising expenses of JAST for the years ended June 30, 2010 and 2009 were \$215,349 and \$195,284, respectively.

9 RETIREMENT PLAN

A defined contribution retirement plan is maintained by Junior Achievement, Inc. JAST can contribute an amount equal to 11.5% of the gross salaries of all eligible employees. Employees working at least 1,000 hours a year are eligible for the plan. Employees are fully vested after 3 years of service. Total pension expense for the years ended June 30, 2010 and 2009 was \$70,077 and \$63,668, respectively.

10 FINANCIAL STATEMENT PRESENTATION

Certain amounts in 2009 financial statements have been reclassified to conform to the 2010 presentation.