

JA Worldwide, Inc. and Subsidiaries

Independent Auditor's Reports and
Consolidated Financial Statements

June 30, 2020 and 2019

JA Worldwide, Inc. and Subsidiaries
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Governors
JA Worldwide, Inc. and Subsidiaries
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of JA Worldwide, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the 2019 financial statements of INJAZ al-Arab JA MENA (JA MENA), a branch office of the Organization, which statements reflect total assets constituting 11.55% of consolidated total assets at June 30, 2019, and total revenues constituting 9.47% of consolidated total revenues for the year then ended. Those statements, which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, were audited by other auditors in accordance with *International Auditing Standards*, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of JA MENA, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for JA MENA, prior to these conversion adjustments, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Board of Governors
JA Worldwide, Inc. and Subsidiaries

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audits and the report of, and additional audit procedures by, the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JA Worldwide, Inc. and Subsidiaries as of June 30, 2020 and 2019, and the 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.

Emphasis of Matters

As discussed in Note 1 to the consolidated financial statements, in 2020, the reporting entity changed to include JA MENA as part of its consolidated financial statements.

As described in Note 2 to the consolidated financial statements, in 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*.

Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards – 2020 required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Board of Governors
JA Worldwide, Inc. and Subsidiaries

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 22, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BKD, LLP

Colorado Springs, Colorado
October 22, 2020

JA Worldwide, Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,788,309	\$ 6,656,450
Investments	3,692,444	2,359,982
Contributions receivable	264,222	613,809
Federal grants receivable	173,859	137,368
Affiliates accounts receivable, net of allowance for doubtful accounts; \$104,000 in 2020 and \$54,000 in 2019	728,132	582,378
Prepaid expenses and other receivables	<u>63,881</u>	<u>243,406</u>
Total current assets	11,710,847	10,593,393
Affiliates accounts receivable, net of current portion	<u>160,806</u>	<u>153,374</u>
Total assets	<u>\$ 11,871,653</u>	<u>\$ 10,746,767</u>

Liabilities and Net Assets

Accounts payable - trade	\$ 417,750	\$ 494,950
Accrued liabilities	641,070	521,477
Due to affiliate	92,686	185,140
Refundable advance	334,636	-
Funds held for affiliates	<u>2,593,633</u>	<u>3,172,993</u>
Total liabilities	4,079,775	4,374,560
Net Assets		
Without donor restrictions		
Undesignated	3,093,996	3,252,581
Board-designated	<u>1,388,968</u>	<u>1,005,633</u>
	4,482,964	4,258,214
With donor restrictions	<u>3,308,914</u>	<u>2,113,993</u>
Total net assets	<u>7,791,878</u>	<u>6,372,207</u>
Total liabilities and net assets	<u>\$ 11,871,653</u>	<u>\$ 10,746,767</u>

JA Worldwide, Inc. and Subsidiaries
Consolidated Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restriction	Total	Without Donor Restrictions	With Donor Restriction	Total
Revenues, Gains and Other Support						
Contributions	\$ 1,395,844	\$ 6,409,758	\$ 7,805,602	\$ 2,372,735	\$ 4,177,882	\$ 6,550,617
Member fees	2,575,909	-	2,575,909	2,405,413	-	2,405,413
In-kind contributions	1,289,663	-	1,289,663	681,477	-	681,477
Federal grants	1,318,576	-	1,318,576	1,440,041	-	1,440,041
Investment return, net	80,995	-	80,995	72,412	-	72,412
Other	774	-	774	(21,457)	-	(21,457)
Net assets released from restrictions	5,214,837	(5,214,837)	-	4,321,282	(4,321,282)	-
Total support and revenue	<u>11,876,598</u>	<u>1,194,921</u>	<u>13,071,519</u>	<u>11,271,903</u>	<u>(143,400)</u>	<u>11,128,503</u>
Expenses						
Program services						
Field services	7,083,653	-	7,083,653	5,753,027	-	5,753,027
Communications and marketing	707,240	-	707,240	604,800	-	604,800
Research and development	292,539	-	292,539	164,910	-	164,910
Human resources	271,688	-	271,688	80,182	-	80,182
Total program services	<u>8,355,120</u>	<u>-</u>	<u>8,355,120</u>	<u>6,602,919</u>	<u>-</u>	<u>6,602,919</u>
Support services						
Management and general	2,119,954	-	2,119,954	2,021,842	-	2,021,842
Fundraising	1,176,774	-	1,176,774	1,227,940	-	1,227,940
Total support services	<u>3,296,728</u>	<u>-</u>	<u>3,296,728</u>	<u>3,249,782</u>	<u>-</u>	<u>3,249,782</u>
Total expenses	<u>11,651,848</u>	<u>-</u>	<u>11,651,848</u>	<u>9,852,701</u>	<u>-</u>	<u>9,852,701</u>
Change in Net Assets	224,750	1,194,921	1,419,671	1,419,202	(143,400)	1,275,802
Net Assets, Beginning of Year, as Previously Reported	<u>4,258,214</u>	<u>2,113,993</u>	<u>6,372,207</u>	<u>2,585,749</u>	<u>2,029,473</u>	<u>4,615,222</u>
Change in Reporting Entity, JA MENA	-	-	-	253,263	227,920	481,183
Net Assets, Beginning of Year, as Adjusted	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,839,012</u>	<u>2,257,393</u>	<u>5,096,405</u>
Net Assets, End of Year	<u>\$ 4,482,964</u>	<u>\$ 3,308,914</u>	<u>\$ 7,791,878</u>	<u>\$ 4,258,214</u>	<u>\$ 2,113,993</u>	<u>\$ 6,372,207</u>

JA Worldwide, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	Program Services					Support Services			Total Expenses
	Field Services	Communications and Marketing	Research and Development	Human Resources	Total Program Services	Management and General	Fundraising	Total Support Services	
June 30, 2020									
Compensation	\$ 2,483,089	\$ 247,915	\$ 102,546	\$ 95,237	\$ 2,928,787	\$ 743,124	\$ 412,504	\$ 1,155,628	\$ 4,084,415
Occupancy	184,475	18,418	7,618	7,075	217,586	55,209	30,646	85,855	303,441
Program support	1,925,239	192,218	79,508	73,841	2,270,806	576,174	319,831	896,005	3,166,811
Professional and other services	2,490,850	248,689	102,867	95,535	2,937,941	745,447	413,793	1,159,240	4,097,181
Total expenses	<u>\$ 7,083,653</u>	<u>\$ 707,240</u>	<u>\$ 292,539</u>	<u>\$ 271,688</u>	<u>\$ 8,355,120</u>	<u>\$ 2,119,954</u>	<u>\$ 1,176,774</u>	<u>\$ 3,296,728</u>	<u>\$ 11,651,848</u>
June 30, 2019									
Compensation	\$ 1,994,813	\$ 225,341	\$ 61,443	\$ 29,875	\$ 2,311,472	\$ 944,354	\$ 457,516	\$ 1,401,870	\$ 3,713,342
Occupancy	121,212	13,693	3,734	1,815	140,454	35,176	27,800	62,976	203,430
Program support	2,085,282	190,478	51,937	25,253	2,352,950	592,004	386,733	978,737	3,331,687
Professional and other services	1,550,664	175,169	47,763	23,223	1,796,819	450,001	355,649	805,650	2,602,469
Depreciation	1,056	119	33	16	1,224	307	242	549	1,773
Total expenses	<u>\$ 5,753,027</u>	<u>\$ 604,800</u>	<u>\$ 164,910</u>	<u>\$ 80,182</u>	<u>\$ 6,602,919</u>	<u>\$ 2,021,842</u>	<u>\$ 1,227,940</u>	<u>\$ 3,249,782</u>	<u>\$ 9,852,701</u>

JA Worldwide, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 1,419,671	\$ 1,275,802
Items not requiring (providing) operating activities cash flows		
Depreciation	-	1,773
Bad debt expense	50,000	500
Net realized and unrealized gain on investments	(8,048)	(27,069)
Changes in assets and liabilities		
Contributions receivable	349,587	534,839
Federal grants receivable	(36,491)	74,510
Affiliates accounts receivable	(203,186)	771,416
Prepaid expenses and other receivables	179,525	(37,956)
Accounts payable and accrued liabilities	42,393	(141,329)
Due to affiliate(s)	(92,454)	185,140
Funds held for affiliates	(579,360)	(1,243,618)
Refundable advance	334,636	-
	<u>1,456,273</u>	<u>1,394,008</u>
Net cash provided by operating activities		
	<u>1,456,273</u>	<u>1,394,008</u>
Investing Activities		
Purchase of investments	(3,241,272)	(2,332,913)
Proceeds from sale of investments	1,916,858	1,498,903
	<u>(1,324,414)</u>	<u>(834,010)</u>
Net cash used in investing activities		
	<u>(1,324,414)</u>	<u>(834,010)</u>
Increase in Cash and Cash Equivalents	131,859	559,998
Cash and Cash Equivalents, Beginning of Year	<u>6,656,450</u>	<u>6,096,452</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,788,309</u>	<u>\$ 6,656,450</u>

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

JA Worldwide, Inc. (the Organization) is a Delaware not-for-profit organization whose mission and principal activities are to support the mission of JA and its members as global leader in work readiness, financial literacy, and entrepreneurship education for young people. The Organization reaches out to the global community through a network of over 100 affiliates that develop and implement economic education programs for young people through a partnership between business and education. Except for JA Africa, Inc., JA Asia Pacific Limited JA Americas and INJAZ Al-Arab JE MENA (discussed below), the affiliates' financial statements are not included in the consolidated financial statements of the Organization, since it does not have a controlling interest in the affiliates' Board of Directors or a financial interest in the affiliates' operations. The by-laws of each affiliate designate a similar purpose not-for-profit organization to receive the residual interest of an affiliate in the event of dissolution.

JA Worldwide, Inc. provides oversight to Europe, Africa, Asia Pacific, the Middle East, and the Americas (excluding the USA) and is responsible for the growth and development of Junior Achievement around the world. Grants, gifts and contributions that provide support outside of the United States are stewarded by the Organization.

The financial results of JA Americas and INJAZ Al-Arab JA MENA (see below), branch offices of JA Worldwide, and the subsidiaries of the Organization, JA Africa, Inc., a Delaware not-for-profit corporation that conducts education programs in Africa, and JA Asia Pacific Limited, a Hong Kong not-for-profit corporation that conducts education programs in Asia, are fully consolidated.

The Organization's primary revenues come from corporate and individual contributions, federal and private grants, and member fees charged to its affiliates.

Change in Reporting Entity – JA MENA

INJAZ al-Arab JA MENA (JA MENA) is a branch office of JA Worldwide and operates as a non-operating foreign company in Jordan that supports educational programs in the Middle East and North Africa. Effective July 1, 2019, the Organization assumed control (by "other means" as defined in Accounting Standards Codification 958-810-25) and economic interest and thereby elected to include JA MENA. As a result of the change in reporting entity, in accordance with ASC 250, the Organization has included the financial results of JA MENA for both the 2020 and 2019 fiscal years. As a result, the Organization recognized a transfer of JA MENA net assets of \$481,183 at July 1, 2018 and adjusted the 2019 statement of financial position, statement of activities and statement of cash flows to reflect the 2019 results of JA MENA. The inclusion of MENA increased total assets, total net assets, total support and revenue, total expenses and total change in net assets in the 2019 financial statements by \$1,240,970, \$667,616, \$1,053,661, \$867,228 and \$186,433, respectively.

JA Worldwide, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Principles of Consolidation and Basis of Accounting

The accompanying consolidated financial statements include the accounts of JA Worldwide, Inc., JA Africa, Inc. and JA Asia Pacific Limited. All material intercompany transactions and balances have been eliminated in the consolidated financial statements.

Operations Outside the United States

The functional currency of the foreign subsidiaries is the U.S. dollar; however, certain transactions of foreign operations may be translated, as necessary, into U.S. dollars using the current exchange rate. Assets located outside of the United States totaled approximately \$1,730,000 and \$2,050,000 as of June 30, 2020 and 2019, respectively.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020, cash equivalents consisted primarily of short-term certificates of deposit.

At June 30, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$3,830,000.

Some of the Organization's cash accounts reside in financial institutions outside of the United States and, thus, are not eligible for FDIC coverage. These accounts total approximately \$1,730,000 at June 30, 2020.

Investments and Investment Return, Net

Investments consist of long-term certificates of deposit and mutual funds and are measured at fair value.

Investment return includes dividends, interest, realized and unrealized gains and losses on investments carried at fair value less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Affiliates Accounts Receivable

The Organization's affiliates accounts receivable are comprised principally of affiliates' member fees which are due annually. The receivables are for membership fees, which are based on 1% of members' annual revenue.

Refundable Advance

During 2020, the Organization received a loan pursuant to the Paycheck Protection Program established by the U.S. Federal Government's CARES Act. While the loan stipulates an interest rate and maturity date, the Organization anticipates that the loan will be substantially forgiven in future years, and thus has elected to account for the loan as a refundable advance as permitted by ASC 958-605. Under this election, loan proceeds are deemed a refundable advance until such time as the related conditions are met, which include meeting certain employee count and salary reduction requirements as well as incurring eligible expenditures. Utilization of the proceeds are subject to review and acceptance by the U.S. Department of Treasury, Small Business Administration, and/or lender; as a result, future adjustments may be required upon the recognition of revenue.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

The governing board has designated, from net assets without donor restrictions, net assets to support strategic initiatives for the JA network. Funding is established through operating surpluses that the Organization generates each year. Consistent with, and to support, the Organization's strategic plan, board-designated funds have been established for the development of alumni engagement around the world, provision of digital and blended learning platforms across the JA network, expansion of educational programs through partnership with other like-minded organizations, as well as investment in human capital and the establishment of an endowment. The Board may, from time to time, make additions to and change the allocation of board-designated funds.

Net assets with donor restrictions are subject to donor restrictions. Restrictions are temporary in nature, such as those that will be met by certain programs and events specified by the donor or the passage of time.

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, or long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors and affiliate offices. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2020 and 2019, the Organization recorded in-kind revenue and expense of \$1,289,663 and \$681,477, respectively.

JA Worldwide, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

Federal Grants

Federal funds are received on a cost reimbursement basis. Revenue and federal grants receivable with respect to the federal awards are recognized to the extent of allowable expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Organization. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on relative efforts expended on each activity. Program services include the following:

Field services: Encompasses a range of direct support to over 100 affiliates of the Organization to inspire and prepare young people to succeed in a global economy. Services include, but are not limited to, staff training, marketing and brand support, facilitating the sharing of best practices, and assistance with board development and governance.

Communications and marketing: Heightens awareness and understanding of the Organization's purpose and mission through multiple media channels to corporations, volunteers, educators, funders and the general public. Fosters brand consistency globally.

Research and development: Covers the development and support of Junior Achievement programs and technology including digital education programs, student competitions and programs directed at marginalized youth, girls and family support, youth unemployment and quality education for youth ages 5-25.

Human resources: Encompasses talent management and member employee development to ensure the Organization is hiring and retaining high quality staff to deliver programs and recruit volunteers to educate young people in the areas of financial literacy, workforce readiness and entrepreneurship.

Income Taxes

The Organization (including JA Africa, Inc.) is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. JA Asia Pacific Limited is incorporated in Hong Kong as a charity. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Revision

An immaterial revision has been made to the 2019 consolidated financial statements to present certain receivables, not expected to be collected in the next fiscal year, as non-current. This revision did not have a significant impact on the consolidated financial statement line items impacted.

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Subsequent Events

Subsequent events have been evaluated through October 22, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2: Change in Accounting Principle

On July 1, 2019, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08 (ASU 2018-08), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*, using a modified prospective basis method of adoption to all agreements with donors that are either not completed as of July 1, 2019 or were entered into during the 2020 fiscal year.

The core guidance in ASU 2018-08 is to help entities identify in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions or if the transactions are considered reciprocal and should be accounted for as exchange transactions, and help entities evaluation whether a contribution is conditional or unconditional.

Adoption of ASU 2018-08 resulted in classification of certain federal grant agreements as contributions, not exchange transactions, thereby requiring disclosure of any conditional contributions (*i.e.* contributions that are available to the Organization upon the satisfaction of certain conditions and the submission of the related invoice to the awarding agency). See Note 3. In accordance with ASU 2018-08, the Organization's federal grants are accounted for as contributions as the Organization is not providing commensurate value to the resource provider in exchange for the funds received.

Note 3: Grant Reimbursements Receivable and Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2020, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2020:

Grant	Term	Grant Amount	Earned Through June 30, 2020	Funding Available
Women's Economic Empowerment and Equality (WE3)	September 2018 - September 2020	\$ 249,847	\$ 177,275	\$ 72,572
Enriching Youth for Tomorrow Activity in Turkmenistan	September 2017 - September 2021	3,175,000	2,082,981	1,092,019
Supporting Entrepreneurial Education in Eastern Europe and Eurasia	January 2017 - January 2021	<u>2,350,000</u>	<u>1,705,635</u>	<u>644,365</u>
		<u>\$ 5,774,847</u>	<u>\$ 3,965,891</u>	<u>\$ 1,808,956</u>

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 4: Liquidity and Availability

JA Worldwide, Inc. receives significant contributions each year from donors, which together with license fees, are available to meet annual cash needs for general expenditures. During the years ended June 30, 2020 and 2019, the Organization was able to meet its cash needs utilizing operating cash flows.

The following table reflects JA Worldwide, Inc.'s financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position because of donor restrictions or internal board designations. Amounts not available include fund held for affiliates, donor-restricted funding subject to specified purposes and board-designated initiatives that are not considered in the annual operating budget. In the event the need arises to use the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 6,788,309	\$ 6,656,450
Investments	3,692,444	2,359,982
Receivables	1,166,213	1,333,555
	11,646,966	10,349,987
Donor, Legal or Other Restrictions and Designations		
Funds held for affiliates	2,593,633	3,172,993
Board-designated	1,388,968	1,005,633
Donor imposed restrictions	3,308,914	2,113,993
	7,291,515	6,292,619
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,355,451	\$ 4,057,368

Note 5: Disclosures About Fair Value of Investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There is a hierarchy of three levels of inputs that may be used to measure fair value of an investment:

- Level 1** Quoted prices in active markets for identical investments
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the investments
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the investments

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3. At June 30, 2020 and 2019, the Organization did not hold investments classified as Level 3.

Note 6: Contributions Receivable

Contributions receivable consist of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 18,667	\$ 245,555	\$ 264,222
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 498,927 *	\$ 114,882	\$ 613,809

*Included in the amount reported as without donor restrictions is approximately \$325,677 of contributions receivable that are held for affiliates.

Note 7: Conditional Gifts

The Organization has received the following conditional promises to give at June 30, 2020 and 2019, some of which are to benefit the affiliates of the Organization. These amounts are not recognized in the consolidated financial statements:

	2020	2019
Conditional promise to give upon approval of satisfactory progress	\$ 2,944,442	\$ 374,325

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 8: Line of Credit

The Organization maintained a \$100,000 revolving bank line of credit. The interest rate on the line is 10% annually and is payable monthly. No amounts were borrowed against this line during 2020 or 2019. Subsequent to 2020, the Organization obtained a \$500,000 line of credit, secured by certain assets of the Organization, with an interest rate based on the Wall Street Journal prime rate less 0.5%, with a minimum interest rate of 2.75%.

Note 9: Net Assets

Board-designated Net Assets

The Organization's Board of Governors has designated net assets for the following purposes:

	<u>2020</u>	<u>2019</u>
Board-designated endowment	\$ 594,645	\$ 346,476
Partnerships	404,561	264,213
Human capital	336,774	194,833
Learning management system	29,274	102,524
Asia Pacific	23,714	-
Alumni	-	63,491
Centennial	-	34,096
	<u>\$ 1,388,968</u>	<u>\$ 1,005,633</u>

Board-designated Endowment

The Organization's board-designated endowment includes funds designated by the Organization's Board of Governors to function as an endowment (board-designated endowment fund). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Change in board-designated endowment net assets for the years ended June 30, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>
Board-designated endowment net assets, beginning of year	\$ 346,476	\$ -
Transfers to create board-designated endowment	196,000	300,000
Contributions and investment return, net	52,169	46,476
	<u>\$ 594,645</u>	<u>\$ 346,476</u>

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Investment and Spending Policies

The Organization has adopted investment and spending policies for board-designated endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment.

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2020	2019
Subject to Expenditure for Specified Purpose		
Educational and other programs	\$ 3,063,359	\$ 1,999,111
Promises to give, the proceeds from which have been restricted by donors for educational and other programs	245,555	114,882
	\$ 3,308,914	\$ 2,113,993

Note 10: Pension and Postretirement Plan

Multi-employer Pension Plan (Terminated Effective June 30, 2019)

Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan was administered by Junior Achievement USA® and covered all full-time employees of the Organization, Junior Achievement USA® and participating Junior Achievement Areas in the United States. Benefits were determined based on years of service and salary history. 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 made contributions to the plan equal to 16.75% of participants' eligible compensation. The Organization recognizes, as net pension cost, the required contribution for the period and recognizes, 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.

Effective June 30, 2019, the Board of Directors of Junior Achievement USA® approved the termination of the 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 continued to make contributions equal to 13.25% of participants' eligible compensation.

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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, totaling approximately \$5,500,000 at June 30, 2020, are restricted for additional, future termination and other required administrative expenses. Upon the conclusion of any necessary administrative proceedings and the final review by the Pension Benefit Guarantee Corporation (PBGC), any remaining Plan assets will be distributed to participating employers on a pro-rata basis. The timing and results of these administrative proceedings and PBGC's final review are uncertain, and as a result, the Organization cannot reasonably estimate, and thus has not recorded, any pro-rata amounts receivable from the Plan at June 30, 2020.

During the years ended June 30, 2020 and 2019, the Organization contributed approximately \$365,000 and \$285,000, respectively, to the Plan.

To coincide with the termination of the Plan, the Organization implemented a Defined Contribution 401(k) plan for eligible employees on July 1, 2019. See Note 12.

Note 11: Health and Welfare Benefits Trust and Postretirement Benefits Plan

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 Health and Welfare Plan is accounted for like a multiemployer plan. Employees of the Organization, Junior Achievement USA® and employees of Junior Achievement USA chapters can participate in the Health and Welfare Plan. Premiums are paid into the Health and Welfare Plan for each participant by the participating employers. 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 consolidated financial statements of the Organization. The Organization's premium expense for the Health and Welfare Plan for the years ended June 30, 2020 and 2019 was approximately \$150,000 and \$115,000, respectively.

Postretirement Benefits Plan

The Health and Welfare Plan also offers health care benefits to retired personnel of the participating employers. 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 multiemployer plan. Accordingly, no balances or transactions of the postretirement benefits plan are recorded in the consolidated financial statements of the Organization.

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 12: Profit-Sharing Plan

Starting on July 1, 2019, the Organization implemented a 401(k) plan covering substantially all employees employed one year or more. The plan is a multi-employer plan managed by Junior Achievement USA®. The Organization's contributions to the plan are determined annually by the Organization's Board of Directors. Contributions to the plan were \$60,832 for the year ended June 30, 2020.

Note 13: Related-party Transactions

Activity with Board Members and Other Related Parties

Contributions of cash, in-kind gifts and pledges from related parties, including board members and corporations affiliated with board members was \$742,157 and \$881,977 for the years ended June 30, 2020 and 2019, respectively. Contributions receivable from related parties including board members and corporations affiliated with board members was \$0 and \$520,677 as of June 30, 2020 and 2019, respectively.

The Organization allows for compensation advances to employees. As of June 30, 2020 and 2019, the Organization has \$7,636 and \$12,368, respectively, and is recorded in affiliates accounts receivable on the consolidated statements of financial position. There is no allowance for these receivables as the Organization expects to collect 100% through payroll deductions.

Activity with Worldwide Affiliates

The Organization assists its affiliates around the world in setting up their own organizations to administer Junior Achievement programs and assesses a member fee for their use of brand, logos and trademarks owned by the Organization. These fees totaled \$2,575,909 and \$2,405,413 for the years ended June 30, 2020 and 2019, respectively. The Organization has accounts receivable of \$888,938 and \$735,752 as of June 30, 2020 and 2019, respectively, from affiliates.

The Organization holds funds on behalf of certain of these affiliates for their expenses. These are included in cash and contributions receivable on the consolidated statements of financial position and total \$2,602,988 and \$0, respectively, as of June 30, 2020 and total \$2,847,316 and \$325,677, respectively, as of June 30, 2019. The Organization also owes certain amounts to an affiliate, totaling \$92,686 and \$185,140, at June 30, 2020 and 2019, respectively, which are included in due to affiliate.

During the years ended June 30, 2020 and 2019, the Organization passed through to affiliates \$17,063,986 and \$13,244,270, respectively, of funds donors directed to be transferred to such affiliates. Because the Organization functions as a conduit, these amounts have not been reflected on the consolidated statements of activities.

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 14: Operating Leases

Noncancellable operating leases for domestic and international office space expire in various years through 2021. Future minimum lease payments at June 30, 2020, were:

2021	<u>\$ 153,262</u>
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Rent expense for the years ended June 30, 2020 and 2019 were \$152,466 and \$130,878, respectively.

Note 15: Significant Estimates and Concentrations

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contribution Concentrations

Contribution revenue (including in-kind contributions) of \$9,095,265 and \$7,232,094 in 2020 and 2019, comprised approximately 70% and 65%, respectively, of the Organization's total support and revenue. The operations of the Organization could be affected with a significant change in contributions.

Investments Risks and Uncertainties

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 that such changes could materially affect the amounts reported in the accompanying statements of financial position.

COVID-19

As a result of the spread of the incidence of COVID-19, economic and operating uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

JA Worldwide, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 16: Contingencies

The United States Agency for International Development (USAID) has historically been one of the primary federal awarding agencies for the Organization. Included in various grant agreements awarded by USAID was a provision for a Negotiated Indirect Cost Rate Agreement (NICRA). The provision stipulated that the Organization shall be reimbursed for indirect costs on the basis of the predetermined rate published in the agreement, but pending the establishment of a revised, final rate.

During 2014, the Organization was notified by USAID of the final rates effective retroactively for grant periods from July 2004 through June 2010. During 2016, the Organization was notified by USAID of the final rates effective retroactively for grant periods from July 2010 through June 30, 2013. The Organization believes that a loss, resulting from the recalculated NICRA based on the revised rates, is probable on all applicable open grants.

As a result, the Organization recorded a contingency liability that is included in accounts payable in the consolidated statements of financial position for all applicable open grants as of June 30, 2020 and 2019 of \$137,729 and \$154,555, respectively. Management believes that this estimated liability fully accounts for any probable exposure to the Organization. It is reasonably possible that a change in these estimates could occur in the near term.

Supplementary Information

JA Worldwide Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Grant or Pass-through Entity Identifying Number	Total Federal Expenditures
Agency for International Development (USAID)			
USAID Foreign Assistance for Programs Overseas			
Americas	98.001	7200AA18CA00043	\$ 78,779
Eastern Europe	98.001	AID-OAA-A-17-00006	478,600
Turkmenistan	98.001	AID-176-A-17-00001	<u>761,197</u>
Total USAID Foreign Assistance for Programs Overseas and total expenditures of federal awards			<u>\$ 1,318,576</u>

Notes to Schedule

1. This schedule of expenditures of federal awards (the Schedule) includes the federal award activity of JA Worldwide Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of JA Worldwide Inc. and Subsidiaries, it is not intended and does not present the financial position, changes in net assets or cash flows of JA Worldwide Inc. and Subsidiaries.

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

2. JA Worldwide Inc. and Subsidiaries has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance; however, JA Worldwide Inc. and Subsidiaries has elected to use the rate outlined in each grant agreement.
3. Of the federal expenditures presented in this schedule, JA Worldwide Inc. and Subsidiaries provided no federal awards to subrecipients.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
JA Worldwide Inc. and Subsidiaries
Boston, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of JA Worldwide Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2020, which contained an emphasis of matter paragraph for the adoption of a new accounting standard and contained a paragraph emphasizing a matter regarding the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
JA Worldwide Inc. and Subsidiaries

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Colorado Springs, Colorado
October 22, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
JA Worldwide Inc. and Subsidiaries
Boston, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited JA Worldwide Inc. and Subsidiaries' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Board of Directors
JA Worldwide Inc. and Subsidiaries

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
JA Worldwide Inc. and Subsidiaries

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Colorado Springs, Colorado
October 22, 2020

JA Worldwide Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was (were):
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor’s report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor’s report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

5. The opinion(s) expressed in the independent auditor’s report on compliance for major federal award program(s) was (were):
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of major programs:

Cluster/Program	CFDA Number
USAID Foreign Assistance for Programs Overseas	98.001

JA Worldwide Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

- 8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
- 9. The Organization qualified as a low-risk auditee? Yes No

Section II – Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable

JA Worldwide Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section III – Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2020-001	<p>Finding: Reporting</p> <p>CFDA No. 98.001 USAID Foreign Assistance for Programs Overseas Agency for International Development (USAID), Award Number - 7200AA18CA00043, Award Year - 2018 Agency for International Development (USAID), Award Number - AID-OAA-A-17-00006, Award Year - 2017 Agency for International Development (USAID), Award Number - AID-176-A-17-00001, Award Year - 2017</p> <p>Criteria: The U.S. Office of Management and Budget (OMB) <i>Compliance Supplement</i>, requires that all reports for federal awards include the activity of the reporting period, be supported by applicable accounting or performance records, be mathematically accurate, and be fairly presented in accordance with program requirements.</p> <p>Condition: The information reported to United States Agency for International Development (USAID) (Grantor) was not mathematically correct.</p> <p>Questioned Costs: None.</p> <p>Context: JA Worldwide submitted 12 quarterly financial reports, 12 quarterly performance reports and three annual reports during FY2020. We tested two quarterly financial reports, two quarterly performance reports and all of the annual reports (100%) and noted the amounts reported in several of the schedules were not mathematically correct in the two performance reports and two of the annual reports.</p> <p>Effect: Inaccurate information was reported to the awarding agency.</p> <p>Cause: Lack of detailed review by someone other than the preparer resulted in inaccurate information being submitted to the awarding agency.</p> <p>Identification as a repeat finding: Not applicable.</p> <p>Recommendation: We recommend that a detailed review of reports be performed by someone other than the preparer prior to reports being submitted. The detailed review should include testing the mathematical accuracy of the report to determine if schedules are accurately stated and foot correctly.</p> <p>Views of Responsible Officials: The Organization agrees with the finding. See separate report for planned corrective actions.</p>

JA Worldwide Inc. and Subsidiaries

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section III – Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2020-002	<p>Finding: Procurement and Suspension and Debarment</p> <p>CFDA No. 98.001 USAID Foreign Assistance for Programs Overseas Agency for International Development (USAID), Award Number - 7200AA18CA00043, Award Year - 2018 Agency for International Development (USAID), Award Number - AID-OAA-A-17-00006, Award Year - 2017 Agency for International Development (USAID), Award Number - AID-176-A-17-00001, Award Year - 2017</p> <p>Criteria: General procurement standards outlined in 2 CFR 200.318(a) state that a non-federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law and the standards identified by the Uniform Guidance (sections 200.318 - 200.326). The Uniform Guidance outlines requirements over the proper oversight of contractors, having written standards of conduct for employees involved in contracting, awarding contracts to responsible contractors, maintaining records documenting the history of procurements including cost price analysis, conducting all transactions in a manner which provides full and open competition, utilizing the methods of procurement outlined in the Uniform Guidance, and ensuring every purchase order or contract includes the applicable provisions in Appendix II. Suspension and debarment standards outlined in 2 CFR 200.213 restrict a non-federal entity from entering into contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.</p> <p>Condition: The Organization's policies and procedures over procurement do not conform to the requirements outlined by the Uniform Guidance as several required policies and procedures are not included. In addition, proper review of purchases was not occurring prior to payment to determine if the expenditure was procured in a manner that was consistent with the policy as well as verifications that the vendors were not suspended or debarred.</p> <p>Questioned Costs: None.</p> <p>Context: We compared the Organization's policies and procedures to the applicable sections of the Uniform Guidance. In addition, we tested a population of 157 transactions qualifying for the procurement of goods and services and selected 24 of the transactions for testing. A non-statistical sampling methodology was used to select the sample. Of the 24 transactions selected for testing, three transactions did not have proper review of documentation to verify the transaction was properly procured within the policy thresholds. Of the 24 transactions selected for testing, 16 of the suspension and debarments verifications occurred subsequent to the end of the fiscal year.</p> <p>Effect: Not procuring goods and services in accordance with requirements outlined by the Uniform Guidance increases the risk that federal expenditures are not being used properly. Not verifying if vendors are suspended or debarred increased the risk that federal expenditures are paid to parties not allowed to receive federal funds.</p> <p>Cause: The Organization's policies were not compared to Uniform Guidance to ensure all elements were incorporated prior to adoption. The Organization also did not obtain or maintain documentation from the local area offices to determine expenditures were properly procured under the Organization's policy. The Organization did not verify vendors were not suspended or debarred until requested as part of the audit process which was subsequent to the end of the fiscal year and after the expenditures had been paid to the vendor.</p> <p>Identification as a repeat finding: Not applicable.</p> <p>Recommendation: We recommend the Organization revise its policies and procedures to conform to the requirements of Uniform Guidance as soon as possible. In addition, invoices for expenditures should be reviewed and compared to the procurement policy to determine expenditures are procured in the correct manner under the policy as well as verifying the vendor is not suspended or debarred prior to the purchase or at the beginning of each year if the contract with the vendor is a multi-year relationship.</p> <p>Views of responsible officials: The Organization agrees with the finding. See separate report for planned corrective actions.</p>

JA Worldwide Inc. and Subsidiaries
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Reference Number	Summary of Finding	Status
No matters are reportable		