

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

COMBINING FINANCIAL STATEMENTS

For the year ended
June 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Combining Statement of Financial Position.....	4
Combining Statement of Activities	6
Combining Statement of Functional Expenses	8
Combining Statement of Cash Flows	10
Notes to Combining Financial Statements	12



INDEPENDENT AUDITOR'S REPORT

September 19, 2017

To the Board of Directors
Junior Achievement of the Michigan
Great Lakes, Inc. and Related Entity
Grand Rapids, Michigan

We have audited the accompanying combining financial statements of Junior Achievement of the Michigan Great Lakes, Inc. and related entity, which comprise the combining statement of financial position as of June 30, 2017, and the related combining statements of activities, functional expenses and cash flows for the year 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 combining 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combining financial statements based on our audit. We conducted our audit 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of the Michigan Great Lakes, Inc. and related entity as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Junior Achievement of the Michigan Great Lakes, Inc. and related entity's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hungerford Nichols

Certified Public Accountants

FINANCIAL STATEMENTS

COMBINING STATEMENT OF FINANCIAL POSITION

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

June 30, 2017

With comparative totals for June 30, 2016

	Junior Achievement	
	Unrestricted	Temporarily Restricted
ASSETS		
Cash	\$ 224,740	\$ 585,704
Restricted custodial cash	23,838	-
Investments, at fair value	2,192,728	-
Promises to give, current portion	190,097	776,880
Inventory	121,659	-
Prepaid expenses	61,862	-
Total Current Assets	2,814,924	1,362,584
Promises to give, net of allowance of \$28,847 in 2017 and \$29,115 in 2016	-	41,983
Promises to give - Capstone, net of discount	-	1,323,294
Restricted investments - Capstone	-	802,581
Due from affiliate	-	-
Land, property and equipment - net	534,220	-
Beneficial interest in perpetual endowment funds	-	30,465
Total Long Term Assets	534,220	2,198,323
Total Assets	\$ 3,349,144	\$ 3,560,907
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 133,189	\$ -
Due to affiliate	122,293	-
Scholarships payable	17,670	-
Capital lease obligation, current portion	2,141	-
Custodial fund	23,838	-
Total Current Liabilities	299,131	-
Capital lease obligation, net of current portion	1,127	-
Total Liabilities	\$ 300,258	\$ -
Net Assets		
Unrestricted:		
Undesignated	\$ 3,022,175	\$ -
Board designated Northern Service Office assets	26,711	-
Total unrestricted net assets	3,048,886	-
Temporarily restricted	-	3,560,907
Permanently restricted	-	-
Total Net Assets	3,048,886	3,560,907
Total Liabilities and Net Assets	\$ 3,349,144	\$ 3,560,907

Permanently Restricted	Foundation		2017		2016	
	Unrestricted	Eliminations	Combined Totals		Combined Totals	
\$ -	\$ -	\$ -	\$ 810,444	\$ 1,107,143		
-	-	-	23,838	28,764		
-	-	-	2,192,728	1,839,689		
-	-	-	966,977	1,508,688		
-	-	-	121,659	94,850		
-	-	-	61,862	119,248		
-	-	-	4,177,508	4,698,382		
-	-	-	41,983	56,335		
-	-	-	1,323,294	1,234,093		
-	-	-	802,581	281,660		
-	122,293	(122,293)	-	-		
-	-	-	534,220	542,513		
45,882	-	-	76,347	69,672		
45,882	122,293	(122,293)	2,778,425	2,184,273		
\$ 45,882	\$ 122,293	\$ (122,293)	\$ 6,955,933	\$ 6,882,655		
\$ -	\$ -	\$ -	\$ 133,189	\$ 214,399		
-	-	(122,293)	-	-		
-	-	-	17,670	10,750		
-	-	-	2,141	1,433		
-	-	-	23,838	28,764		
-	-	(122,293)	176,838	255,346		
-	-	-	1,127	3,845		
\$ -	\$ -	\$ (122,293)	\$ 177,965	\$ 259,191		
\$ -	\$ 122,293	\$ -	\$ 3,144,468	\$ 2,917,042		
-	-	-	26,711	46,736		
-	122,293	-	3,171,179	2,963,778		
-	-	-	3,560,907	3,613,804		
45,882	-	-	45,882	45,882		
45,882	122,293	-	6,777,968	6,623,464		
\$ 45,882	\$ 122,293	\$ (122,293)	\$ 6,955,933	\$ 6,882,655		

COMBINING STATEMENT OF ACTIVITIES

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Junior Achievement	
	Unrestricted	Temporarily Restricted
Public Support and Revenues		
Contributions		
Corporate	\$ 228,399	\$ 58,100
Individual	128,220	31,060
Foundations	310,012	114,353
In-kind contributions	138,527	-
Capstone	-	52,000
Program service fees	-	-
Special events, net of expense of \$279,789 and \$239,646	373,313	185,650
Net assets released from restrictions:		
Time restrictions	373,806	(373,806)
Capstone re-classifications	147,849	(147,849)
Total Public Support and Revenues	1,700,126	(80,492)
Investment Gain (Loss)		
Investment income	65,274	12,783
Net unrealized gain (loss) on investments	9,690	8,137
Unrealized gain on revaluation of beneficial interest	-	6,675
Total Investment Gain (Loss)	74,964	27,595
Total Public Support and Revenues	1,775,090	(52,897)
Expenses		
Program services	1,244,797	-
General and administrative	141,355	-
Fundraising	137,590	-
Total program and support services	1,523,742	-
Program license fee	48,351	-
Total Expenses	1,572,093	-
Change in Net Assets	202,997	(52,897)
Net Assets, beginning of year	2,845,889	3,613,804
Net Assets, end of year	\$ 3,048,886	\$ 3,560,907

Permanently Restricted	Foundation		2017	2016
	Unrestricted		Combined Totals	Combined Totals
\$ -	\$ -		\$ 286,499	258,315
-	-		159,280	190,809
-	-		424,365	337,116
-	-		138,527	121,483
-	-		52,000	2,360,031
-	-		-	15,300
-	-		558,963	705,148
-	-		-	-
-	-		-	-
-	-		1,619,634	3,988,202
-	-		78,057	55,587
-	4,404		22,231	(170,106)
-	-		6,675	1,330
-	4,404		106,963	(113,189)
-	4,404		1,726,597	3,875,013
-	-		1,244,797	1,209,854
-	-		141,355	133,980
-	-		137,590	108,520
-	-		1,523,742	1,452,354
-	-		48,351	47,899
-	-		1,572,093	1,500,253
-	4,404		154,504	2,374,760
45,882	117,889		6,623,464	4,248,704
\$ 45,882	\$ 122,293		\$ 6,777,968	\$ 6,623,464

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Junior Achievement			Total Program Services
	Elementary Program	Middle School	High School	
Wages and salaries	\$ 497,775	\$ 111,570	\$ 94,406	\$ 703,751
Contract and temporary work	23,411	6,483	3,602	33,496
Payroll taxes	41,101	9,212	7,795	58,108
Employee benefits	103,218	22,118	18,432	143,768
Staff conferences and seminars	12,955	4,858	3,470	21,283
Audit and professional fees	8,329	1,933	1,487	11,749
Postage	3,552	825	634	5,011
Local travel	10,225	4,382	2,739	17,346
Public relations and membership Communications	1,758	753	471	2,982
	6,281	1,458	1,122	8,861
Equipment and software purchase, repairs and maintenance	2,860	664	511	4,035
Office supplies	8,880	2,061	1,586	12,527
Rent and storage	34,934	8,318	6,654	49,906
Program materials	36,002	36,002	36,003	108,007
Depreciation	5,300	1,231	947	7,478
Fundraising expense	-	-	-	-
Program and general insurance	8,466	1,965	1,512	11,943
Teacher driven strategy	4,150	-	-	4,150
Interest	-	-	-	-
Banking and investment fees	3,582	832	640	5,054
Scholarships	-	-	10,170	10,170
Uncollectible pledges	8,647	2,007	1,544	12,198
Miscellaneous	9,197	2,135	1,642	12,974
	\$ 830,623	\$ 218,807	\$ 195,367	\$ 1,244,797

				2017	2016
General and Administrative	Fund-Raising	Total	Foundation	Combined Total	Combined Total
\$ 85,823	\$ 68,658	\$ 858,232	\$ -	\$ 858,232	\$ 770,628
720	1,801	36,017	-	36,017	66,361
7,086	5,670	70,864	-	70,864	60,933
25,804	14,745	184,317	-	184,317	177,288
-	1,851	23,134	-	23,134	32,017
2,380	744	14,873	-	14,873	14,402
1,015	317	6,343	-	6,343	6,129
-	913	18,259	-	18,259	18,001
-	157	3,139	-	3,139	4,221
1,795	560	11,216	-	11,216	12,862
817	255	5,107	-	5,107	4,808
2,537	793	15,857	-	15,857	5,712
2,772	2,772	55,450	-	55,450	45,800
-	-	108,007	-	108,007	123,322
1,515	473	9,466	-	9,466	14,145
-	35,212	35,212	-	35,212	11,926
2,419	756	15,118	-	15,118	16,553
-	-	4,150	-	4,150	530
550	-	550	-	550	530
1,023	320	6,397	-	6,397	5,541
-	-	10,170	-	10,170	8,750
2,470	772	15,440	-	15,440	29,487
2,629	821	16,424	-	16,424	22,408
\$ 141,355	\$ 137,590	\$ 1,523,742	\$ -	\$ 1,523,742	\$ 1,452,354

COMBINING STATEMENT OF CASH FLOWS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Junior Achievement	Foundation
Cash Flows from Operating Activities		
Change in net assets	\$ 150,100	\$ 4,404
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,466	-
Net unrealized and realized (gain) loss on investments	(17,827)	(4,404)
Unrealized gain on revaluation of beneficial interest	(6,675)	-
Campaign cash collected restricted for long term purposes	(510,657)	-
In-kind donation of equipment	-	-
Changes in operating assets and liabilities:		
Promises to give/other receivables	466,862	-
Inventory	(26,809)	-
Prepaid expenses	57,386	-
Accounts payable and accrued expenses	(81,210)	-
Scholarships payable	6,920	-
Other receivables	-	-
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	47,556	-
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Purchase of land, property and equipment	(1,173)	-
Proceeds from sale of investments	-	-
Purchase of investments	(851,729)	-
	<hr/>	<hr/>
Net Cash Used for Investing Activities	(852,902)	-
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Principal payments under capital lease obligations	(2,010)	-
Campaign cash collected restricted for long term purposes	510,657	-
	<hr/>	<hr/>
Net Cash Provided by Financing Activities	508,647	-
	<hr/>	<hr/>
Net Increase (Decrease) in Cash	(296,699)	-
	<hr/>	<hr/>
Cash, beginning of year	1,107,143	-
	<hr/>	<hr/>
Cash, end of year	\$ 810,444	\$ -
	<hr/>	<hr/>

Note: Restricted custodial cash of \$23,838 is not included in the statement of cash flows because it is not available for general operations.

Eliminations	2017		2016	
		Combined Totals		Combined Totals
\$ -	\$	154,504	\$	2,374,760
-		9,466		14,145
-		(22,231)		170,106
-		(6,675)		(1,330)
-		(510,657)		(313,500)
-		-		(6,000)
-		466,862		(1,831,476)
-		(26,809)		23,283
-		57,386		(27,340)
-		(81,210)		96,503
-		6,920		5,500
-		-		6,081
-		47,556		510,732
-		(1,173)		(474,193)
-		-		300,000
-		(851,729)		(329,918)
-		(852,902)		(504,111)
-		(2,010)		(1,706)
-		510,657		313,500
-		508,647		311,794
-		(296,699)		318,415
-		1,107,143		788,728
\$ -	\$	810,444	\$	1,107,143

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note A – Nature of Business and Summary of Significant Accounting Policies

Organization and Operations

Junior Achievement of the Michigan Great Lakes, Inc. (Organization) is a not-for-profit organization operating as a franchise of Junior Achievement USA. The franchise agreement with Junior Achievement USA requires the Organization to pay a program license fee to Junior Achievement USA based on revenues earned. The Organization provides business education and experiences primarily to students in Western, Mid, and Northern Michigan through various in-school and after school programs. Junior Achievement of the Michigan Great Lakes Foundation (Foundation) funds certain projects as proposed by Junior Achievement of the Michigan Great Lakes, Inc.

Combining Financial Statements

The accompanying combining financial statements include the accounts of Junior Achievement of the Michigan Great Lakes, Inc. and Junior Achievement of the Michigan Great Lakes Foundation. Intercompany transactions and balances have been eliminated in combination.

Method of Accounting

The combining financial statements have been prepared on the accrual basis.

Financial Statement Presentation

The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

Cash

The Organization maintains cash balances at two banks located in Grand Rapids, Michigan. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The cash balances may exceed the insured amount throughout the year.

Investments

In accordance with accounting principles generally accepted in the United States of America, the Organization is required to measure qualifying equity and all debt securities at fair value in the Statement of Financial Position, with realized and unrealized gains and losses presented in the statement of activities. See Note E for fair value measurements.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note A – Nature of Business and Summary of Significant Accounting Policies (Continued)

Contributions

In accordance with accounting principles generally accepted in the United States of America, 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give with payment dates in future periods are reported as temporarily restricted net assets. When the restriction expires in the year of payment, temporarily restricted net assets are reclassified to unrestricted net assets. If promises to give become uncollectible, they will be charged against operations when that determination is made.

Inventory

Inventory is stated at lower of cost (first-in, first-out method) or market. Inventory consists of program kits, gift cards and logo items.

Land, Property and Equipment

Land, property and equipment are stated at cost, if purchased, for all expenditures in excess of \$500. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of the respective assets.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note A – Nature of Business and Summary of Significant Accounting Policies (Continued)

Donated Services

A large number of volunteers have contributed significant amounts of time to the Organization without compensation. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statement of functional expenses. Fundraising costs include both direct and indirect costs related to the solicitation of contributions from the general public.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Advertising

The Organization expenses advertising costs as they are incurred. The Organization normally does not incur significant advertising costs.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY
For the year ended June 30, 2017

Note A – Nature of Business and Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

Comparative Data

The amounts shown for the year ended June 30, 2016 in the accompanying financial statements are included to provide a basis for comparison with June 30, 2016 and present summarized totals only. Accordingly, the June 30, 2016 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

Note B – Restricted Cash/Custodial Fund

Restricted cash of \$23,838 represents amounts held on deposit at a financial institution for payment to or on behalf of the Michigan state-wide Junior Achievement chapters. Junior Achievement of the Michigan Great Lakes has no authority over these funds and, accordingly, transactions from the accounts are not included in the statement of activities. A corresponding liability is shown as a custodial fund.

Note C – Due From/Due to Affiliate

The receivable balance in the Foundation represents funds maintained in an Organization trust account with a fair market value of \$122,293. Interest and fees from this investment are recorded on the basis of the Foundation's pro rata share of the account balance at the beginning of each year. The corresponding liability appears on the balance sheet of the Organization. All balances are eliminated upon combination of the financial statements.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2017

Note D – Pledges Receivable

The Organization had the following unconditional promises to give as of June 30, 2017:

Receivable in the year ending June 30, 2018	\$	966,977
2019		312,917
2020		760,587
2021		<u>416,188</u>
Total unconditional promises to give		2,456,669
Less: discounts to net present value at 3%		(95,568)
Less: allowance for uncollectible pledges		<u>(28,847)</u>
Net unconditional promises to give	\$	<u><u>2,332,254</u></u>

Note E – Fair Value Measurement

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not considered active or financial instruments for which significant inputs, include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

Level 3 - Significant unobservable inputs, which may include the Organization's own assumptions in determining fair value.

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

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2017

Note E – Fair Value Measurement (Continued)

Assets measured at fair value on a recurring basis comprise the following:

<u>Description</u>	Level 1	Level 2	Level 3	Fair Value June 30, 2017
Common stock	\$ 229,586	\$ -	\$ -	\$ 229,586
Mutual funds - fixed income	2,764,048	-	-	2,764,048
Certificates of deposit	1,675	-	-	1,675
Beneficial interest in perpetual endowment	-	-	76,347	76,347
	<u>\$ 2,995,309</u>	<u>\$ -</u>	<u>\$ 76,347</u>	<u>\$ 3,071,656</u>

<u>Description</u>	Level 1	Level 2	Level 3	Fair Value June 30, 2016
Equities	\$ 242,086	\$ -	\$ -	\$ 242,086
Mutual funds - fixed income	1,877,592	-	-	1,877,592
Certificates of deposit	1,671	-	-	1,671
Beneficial interest in perpetual endowment	-	-	69,672	69,672
	<u>\$ 2,121,349</u>	<u>\$ -</u>	<u>\$ 69,672</u>	<u>\$ 2,191,021</u>

As stated in Note G, the Organization is the beneficiary under an agency endowment administered by the Muskegon Community Foundation (Foundation). The Foundation invests in a variety of investment types that are subject to Level 1, 2 and 3 fair value inputs. The fair value of the beneficial interest was \$31,779 as of June 30, 2017.

The Organization is also the beneficiary under an agency endowment administered by the Capital Region Community Foundation (Foundation). The Foundation invests in a variety of investment types that are subject to Level 1, 2 and 3 fair value inputs. The fair value of the beneficial interest was \$44,568 as of June 30, 2017.

See Note M for the reconciliation of level 3 endowment funds recorded at fair value.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2017

Note F – Property and Equipment

Property and equipment are summarized as follows:

	<u>Amount</u>	<u>Estimated Useful Life - Years</u>
Land - Capstone	\$ 474,193	
Telephone equipment	17,395	5
Office equipment	75,021	3 to 5
Office furniture and fixtures	<u>207,603</u>	3 to 15
Total cost	774,212	
Less accumulated depreciation	<u>239,992</u>	
Net carrying amount	<u><u>\$ 534,220</u></u>	

Note G – Beneficial Interest in Perpetual Endowment Funds

The Muskegon Community Foundation (Foundation) was established with a principal purpose to receive and administer funds as endowments for various charitable and educational purpose organizations in the lakeshore community. The Organization established the Muskegon Lakeshore Region Junior Achievement Fund (Fund) whose assets are being held and managed by the Foundation.

The Capital Region Community Foundation (Foundation) was established with a principal purpose to receive and administer funds as endowments for various charitable and educational purpose organizations in the central Michigan community. The Organization established the JA Mid-Michigan Endowment Fund (Fund) whose assets are being held and managed by the Foundation.

The Funds will be used for support of the charitable or educational purposes of the Organization upon written request. Any un-requested or undistributed income is carried forward for future years, unless otherwise specified by the Organization in writing.

The Fund agreements, which grant variance power to the Foundations, allow the Organization a 30-day period during which it may advise the Foundations of its views regarding the proposed exercise of the power and take such other action as it deems appropriate. The Foundations agree that if their Board of Trustees propose to exercise the variance power, the exercise of such power shall not be effective earlier than at least 30 days after the written notice to the Organization.

The aggregate amounts reported in the Statement of Financial Position are \$76,347 and \$69,672 at June 30, 2017 and 2016, respectively, and are described as “Beneficial interest in perpetual endowment funds.”

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN sGREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note G – Beneficial Interest in Perpetual Endowment Funds (Continued)

In addition, in honor of Edward Frey, the founder of Junior Achievement in the Grand Rapids area, the Frey Foundation established an endowment fund at the Grand Rapids Community Foundation in August of 2000 to benefit Junior Achievement of the Michigan Great Lakes, Inc. The purpose of the fund is to support Junior Achievement's mission and programming in perpetuity. The current value as of June 30, 2017 was \$438,560.

The Edward Frey endowment fund is not included in the accompanying financial statements since the funds are not under the control of the Organization. Distributions received from the endowment funds are recorded as contribution income when received.

Note H – Restriction on Net Assets

Temporarily restricted net assets were \$3,530,907 and \$3,613,804 at June 30, 2017 and 2016, respectively. The temporarily restricted net assets consist of unconditional promises to give with payment dates in future periods for both operations and the Capstone Project, and cash donations received in advance for use in future periods for both operating purposes and the Capstone Project.

Note I – Lease Obligations

The Organization is currently leasing its main office space in Grand Rapids on a two year lease that requires monthly payments of \$3,000 and expires on June 30, 2018. The Organization also leases office space in Grand Haven and Lansing on a month to month basis for monthly payments of \$900 and \$500 per month, respectively. Operating lease expense was \$55,450 for the year ended June 30, 2017. Future lease payments are expected to be similar to current payments. Additionally, the Organization leases equipment on a month to month basis. Total rent expense for this equipment was \$1,983 for the year ended June 30, 2017.

Note J – Capital Lease Obligations

The Organization is currently leasing a copier under a capital lease expiring February 2019 with an annual interest rate of 8%. The asset and liability under the capital lease are recorded at the lower of present value of the minimum lease payments or the fair value of the asset. The capital lease liability is secured by the related asset being leased. The asset is amortized over the related lease term. Amortization of \$1,812 was charged to depreciation for the year ended June 30, 2017. Interest expense of \$550 was charged for the year ended June 30, 2017.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2017

Note J – Capital Lease Obligations (Continued)

Following is a summary of property held under capital lease as of June 30, 2017:

Copier	\$	9,059
Less: accumulated depreciation		<u>(6,115)</u>
	\$	<u><u>2,944</u></u>

The total remaining lease payments required under the capital lease as of June 30, 2017, is as follows:

	Year ending June 30, 2018	\$	2,204
	2019		<u>1,286</u>
Net minimum lease payments			3,490
Amount representing interest			<u>(222)</u>
Present value of minimum lease payments		\$	<u><u>3,268</u></u>

Note K – Pension and Post Retirement Plan

Multi-employer Pension Plan

The Organization participates in a multi-employer pension plan sponsored by Junior Achievement USA which offers a non-contributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by the Junior Achievement USA and covers all full-time employees of the Organization, Junior Achievement USA, JA World Wide, Inc. and participating Junior Achievement chapters in the United States. The Plan is accounted for like a multi-employer plan. Benefits are determined based on years of service and salary history. The Plan's assets are invested in various investment funds. The respective participants' employers are required to fund the Plan, as determined necessary by the Junior Achievement USA's Board of Directors, based on an annual actuarial valuation. The Organization makes contributions equal to 16.75% of participants' eligible compensation. The Plan requires that participating members who withdraw from the Plan, remain liable for any previous funding obligations under the Plan. Accordingly, 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.

The Organization's pension expense for the years ended June 30, 2017 and 2016 was \$96,155 and \$91,150, respectively.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the year ended June 30, 2017

Note K – Pension and Post Retirement Plan (Continued)

Total Plan Information

Junior Achievement USA uses a June 30 measurement date for the Plan. Significant balances, costs and assumptions are:

	<u>2017</u>	<u>2016</u>
Benefit obligations	\$ (75,095,461)	\$ (81,344,372)
Fair Value of Plan assets	59,348,548	55,068,370
Underfunded status	<u>\$ (15,746,913)</u>	<u>\$ (26,276,002)</u>
Accumulated benefit obligation	<u>\$ 68,891,767</u>	<u>\$ 74,857,471</u>

Weighted-average assumptions used to determine benefit obligations at June 30:

	<u>2017</u>	<u>2016</u>
Discount rate	3.50%	3.25%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine benefit costs at June 30:

Discount rate	3.50%	3.25%
Expected return on plan assets	6.25%	6.25%
Rate of compensation increase	4.00%	4.00%

The estimated long-term rate of return on Plan assets is based primarily on historical returns on Plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2017:

2018	\$ 10,009,137
2019	7,317,943
2020	5,843,347
2021	5,649,952
2022	5,280,723
2023-2027	22,077,787

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note K – Pension and Post Retirement Plan (Continued)

Plan assets are held by Fidelity Investments and investment decisions are made in accordance with the provisions of the Plan's investment agreement by the Plan's investment advisor. The investment agreement permits investment in common stocks, corporate bonds, real estate and cash based on certain target allocation percentages.

The investment objective of the Plan is to construct an investment strategy that:

- Provides a high probability of attaining fully funded status;
- Retains the ability to pay benefits and expense obligations when due;
- Retains a funding cushion for unexpected developments;
- Maximizes the long-term returns that can be achieved within the level of risk that is reasonable and prudent; and
- Provides the Plan Sponsor with the flexibility to reduce future contributions, or increase future benefits, in a way that enables the Plan Sponsor to continue to provide competitive retirement benefits to its employees.

The target asset allocation percentage for June 30, 2017 are:

Equity securities	Not to exceed	65.00%
Corporate debt securities	Not to exceed	48.00%
Real estate	Not to exceed	6.00%
Cash and cash equivalents	Not to exceed	2.00%

Plan assets are rebalanced quarterly. At June 30 Plan assets by category are as follows:

	<u>2017</u>	<u>2016</u>
Equity mutual funds	54.30%	50.90%
Fixed income mutual funds	39.70%	42.60%
Real estate security mutual funds	4.90%	5.40%
Cash	1.10%	1.10%
	<u>100.00%</u>	<u>100.00%</u>

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note K – Pension and Post Retirement Plan (Continued)

Information on Organizations Participating in the Plan

The risks to the Organization of participating in this multiemployer pension plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Organization chooses to stop participating in the Plan, the Organization would be required to pay the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The Organization's participation in this plan for the annual period ended June 30, 2017 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number. The Plan's funded status available in 2017 and 2016 is for years ended June 30, 2017 and 2016, respectively. There have been no significant changes that affect the comparability of the 2017 and 2016 contributions.

Pension Fund	EIN/Pension Plan Number	Funded Status		Contributions by Organization	
		2017	2016	2017	2016
Retirement plan for Employees of Junior Achievement USA	13-1635270 PN 333	79.00%	68.00%	\$ 96,155	\$ 91,150
			Total Contributions	\$ 96,155	\$ 91,150

The Organization was listed in its plan's Form 5500 as providing more than 5 percent of the total contributions for the June 30, 2017 and 2016 plan years.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note L – Health and Welfare Benefits Trust and Postretirement Benefits Plan

Health and Welfare Benefits Trust

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

The following represents summarized financial information pertaining to the Benefits Trust as of and for the years ended June 30, 2017 and 2016:

	2017	2016
Assets	\$ 7,229,300	\$ 6,492,137
Liabilities	312,417	226,110
Net Assets	<u>\$ 6,916,883</u>	<u>\$ 6,266,027</u>
Additions to net assets	\$ 7,985,521	\$ 7,143,253
Deductions from net assets	7,334,665	6,343,455
Change in Net Assets	650,856	799,798
Net Assets, Beginning of Year	<u>6,266,027</u>	<u>5,466,229</u>
Net Assets, End of Year	<u>\$ 6,916,883</u>	<u>\$ 6,266,027</u>

In addition to the summarized financial information presented above, the Benefits Trust also reports in the notes to the financial statements, claims payable of \$278,742 and \$222,839, respectively, and claims incurred but not reported of \$334,774 and \$298,789, respectively. The obligation for claims incurred but not reported is not recorded in the Benefits Trust's statements of net assets available for benefits.

Postretirement Benefits Plan

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

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the year ended June 30, 2017

Note L – Health and Welfare Benefits Trust and Postretirement Benefits Plan (Continued)

Total Postretirement Benefits Plan Information

Junior Achievement USA uses a June 30 measurement date is used for the Postretirement Plan. Significant balances, costs and assumptions are:

	<u>2017</u>	<u>2016</u>
Benefit obligation	\$ 8,020,413	\$ 8,237,490
Fair value of Plan assets	-	-
Underfunded status	<u>\$ (8,020,413)</u>	<u>\$ (8,237,490)</u>
Accumulated benefit obligation	<u>\$ (8,020,413)</u>	<u>\$ (8,237,490)</u>

Weighted-average assumptions used to determine benefit obligations at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Discount rate	3.50%	3.25%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine benefit costs at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Discount rate	3.25%	4.00%
Rate of compensation increase	4.00%	4.00%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2017:

2018	\$ 364,305
2019	384,171
2020	389,692
2021	403,624
2022	426,587
2023-2027	2,133,671

The Organization's premium expense for the Postretirement Benefits Plan for the years ended June 30, 2017 and 2016 was \$88,162 and \$86,138, respectively.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY

For the year ended June 30, 2017

Note M – Endowment Net Assets

The Organization has adopted the accounting and disclosure guidance provided by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As such, the Organization has adopted the required provisions of the Act.

Endowment net assets consist of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Muskegon Community Foundation Perpetual Endowment Fund	\$ -	\$ 14,579	\$ 17,200	\$ 31,779
Capital Region Community Foundation Perpetual Endowment Fund	-	15,886	28,682	44,568
	<u>\$ -</u>	<u>\$ 30,465</u>	<u>\$ 45,882</u>	<u>\$ 76,347</u>

The management of the Organization has interpreted current law as requiring the preservation of the fair value of the original gift to the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in the manner consistent with the policies of the endowment fund.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2017

Note M – Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beneficial Interest in Perpetual Endowment Fund July 1, 2016	\$ -	\$ 23,790	\$ 45,882	\$ 69,672
Investment income	-	1,871	-	1,871
Unrealized/realized gain on investments	-	5,345	-	5,345
Investment fees	-	(541)	-	(541)
Unrealized gain on revaluation of beneficial interest	-	6,675	-	6,675
Beneficial Interest in Perpetual Endowment Fund June 30, 2017	<u>\$ -</u>	<u>\$ 30,465</u>	<u>\$ 45,882</u>	<u>\$ 76,347</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Organization to retain. No such deficiencies existed that resulted in the invasion of the principal as of June 30, 2017.