

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

COMBINING FINANCIAL STATEMENTS

For the year ended
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

September 22, 2015

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, 2015, 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Other auditors have previously audited the Junior Achievement of the Michigan Great Lakes, Inc. and Related Entity's 2014 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their reported dated December 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "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, 2015

With comparative totals for June 30, 2014

	Junior Achievement	
	Unrestricted	Temporarily Restricted
ASSETS		
Cash	\$ 283,629	\$ 505,099
Restricted custodial cash	41,789	-
Investments	1,941,287	-
Current promises to give	195,075	480,195
Other receivables	6,081	-
Inventory	118,133	-
Prepaid expenses	91,908	-
Total Current Assets	2,677,902	985,294
Promises to give, net of allowance of \$11,204 in 2015 and \$5,100 in 2014	-	9,670
Promises to give - Capstone	-	282,700
Restricted investments - Capstone	-	320,251
Due from affiliate	-	-
Property and equipment - net	76,465	-
Beneficial interest in perpetual endowment funds	-	22,460
Total Long Term Assets	76,465	635,081
Total Assets	\$ 2,754,367	\$ 1,620,375
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	117,896	\$ -
Due to affiliate	110,266	-
Scholarships payable	5,250	-
Capital lease obligation	1,570	-
Custodial fund	41,789	-
Total Current Liabilities	276,771	-
Capital lease obligation	5,415	-
Total Liabilities	282,186	-
Net Assets		
Unrestricted:		
Undesignated	\$ 2,424,247	\$ -
Board designated Northern Service Office assets	47,934	-
Total unrestricted net assets	2,472,181	-
Temporarily restricted	-	1,620,375
Permanently restricted	-	-
Total Net Assets	2,472,181	1,620,375
Total Liabilities and Net Assets	\$ 2,754,367	\$ 1,620,375

Permanently Restricted	Foundation		Eliminations	2015	2014
	Unrestricted			Combined Totals	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ 788,728	\$ 598,815
-	-	-	-	41,789	53,678
-	-	-	-	1,941,287	1,802,737
-	-	-	-	675,270	577,897
-	-	-	-	6,081	14,052
-	-	-	-	118,133	103,228
-	-	-	-	91,908	99,856
-	-	-	-	3,663,196	3,250,263
-	-	-	-	9,670	221,566
-	-	-	-	282,700	240,334
-	-	-	-	320,251	297,375
-	110,266	(110,266)	-	-	-
-	-	-	-	76,465	65,951
45,882	-	-	-	68,342	66,660
45,882	110,266	(110,266)	-	757,428	891,886
\$ 45,882	\$ 110,266	\$ (110,266)	\$ -	\$ 4,420,624	\$ 4,142,149
\$ -	\$ -	\$ -	\$ -	\$ 117,896	\$ 107,615
-	-	(110,266)	-	-	-
-	-	-	-	5,250	4,750
-	-	-	-	1,570	1,576
-	-	-	-	41,789	53,678
-	-	(110,266)	-	166,505	167,619
-	-	-	-	5,415	6,985
-	-	(110,266)	-	171,920	174,604
\$ -	\$ 110,266	\$ -	\$ -	\$ 2,534,513	\$ 2,382,738
-	-	-	-	47,934	49,314
-	110,266	-	-	2,582,447	2,432,052
-	-	-	-	1,620,375	1,489,811
45,882	-	-	-	45,882	45,682
45,882	110,266	-	-	4,248,704	3,967,545
\$ 45,882	\$ 110,266	\$ (110,266)	\$ -	\$ 4,420,624	\$ 4,142,149

COMBINING STATEMENT OF ACTIVITIES

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

June 30, 2015

With comparative totals for June 30, 2014

	Junior Achievement	
	Unrestricted	Temporarily Restricted
Public Support		
Contributions		
Corporate	\$ 224,678	\$ 24,127
Individual	97,476	62,010
Foundations	305,561	50,000
In-kind contributions	127,905	-
Capstone	-	114,329
Program service fees	1,750	-
Special events, net of expense of \$218,179 and \$177,585	400,096	137,905
Total Public Support	1,157,466	388,371
Revenue		
Investment income	45,556	7,376
Net unrealized gain on investments	26,940	15,500
Unrealized gain on revaluation of beneficial interest	-	1,482
Net assets released from restrictions	282,165	(282,165)
Total Revenue	354,661	(257,807)
Total Public Support and Revenue	1,512,127	130,564
Expenses		
Program services	1,092,007	-
General and administrative	116,858	-
Fundraising	113,018	-
Total program and support services	1,321,882	-
Program license fee	47,727	-
Total Expenses	1,369,609	-
Change in Net Assets	142,518	130,564
Net Assets, beginning of year	2,329,663	1,489,811
Net Assets, end of year	\$ 2,472,181	\$ 1,620,375

Permanently Restricted	Foundation		2015	2014
	Unrestricted		Combined Totals	Combined Totals
\$ -	\$ -		\$ 248,805	\$ 301,412
200	-		159,686	135,561
-	-		355,561	279,009
-	-		127,905	61,728
-	-		114,329	833,511
-	-		1,750	17,685
-	-		538,001	612,225
200	-		1,546,037	2,241,131
-	-		52,932	53,158
-	7,877		50,317	72,042
-	-		1,482	8,711
-	-		-	-
-	7,877		104,731	133,911
200	7,877		1,650,768	2,375,042
-	-		1,092,007	1,146,256
-	-		116,858	165,177
-	-		113,018	126,646
-	-		1,321,882	1,438,079
-	-		47,727	52,337
-	-		1,369,609	1,490,416
200	7,877		281,159	884,626
45,682	102,389		3,967,545	3,082,919
\$ 45,882	\$ 110,266		\$ 4,248,704	\$ 3,967,545

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

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

June 30, 2015

With comparative totals for June 30, 2014

	Junior Achievement			Total Program Services
	Elementary Program	Middle School	High School	
Wages and salaries	\$ 383,066	\$ 85,860	\$ 72,650	\$ 541,576
Contract and temporary work	47,431	13,135	7,297	67,862
Payroll taxes	30,456	6,826	5,776	43,059
Employee benefits	90,738	19,444	16,203	126,386
Staff conferences and seminars	11,985	4,494	3,210	19,689
Audit and professional fees	7,444	1,728	1,329	10,501
Postage	4,101	952	732	5,786
Local travel	10,751	4,608	2,880	18,238
Public relations and membership Communications	2,175	932	583	3,690
	6,435	1,494	1,149	9,078
Equipment and software purchase, repairs and maintenance	4,000	928	714	5,642
Office supplies	3,722	864	665	5,251
Rent and Storage	32,508	7,740	6,192	46,440
Program materials	41,719	41,719	41,719	125,156
Depreciation	7,844	1,821	1,401	11,066
Fundraising expense	-	-	-	-
Program and general insurance	9,997	2,321	1,785	14,102
Teacher driven strategy	3,290	-	-	3,290
Interest	-	-	-	-
Banking and investment fees	2,865	665	512	4,042
Scholarships	-	-	3,500	3,500
Uncollectible pledges	16,546	3,841	2,955	23,342
Miscellaneous	3,089	690	531	4,311
	\$ 720,162	\$ 200,062	\$ 171,783	\$ 1,092,007

				2015	2014
General and Administrative	Fund-Raising	Total	Foundation	Combined Total	Combined Total
\$ 66,046	\$ 52,836	\$ 660,458	\$ -	\$ 660,458	\$ 710,199
1,459	3,649	72,970	-	72,970	61,735
5,251	4,201	52,511	-	52,511	58,087
22,685	12,963	162,033	-	162,033	168,733
-	1,712	21,401	-	21,401	22,555
2,127	665	13,292	-	13,292	13,562
1,172	366	7,324	-	7,324	8,938
-	960	19,198	-	19,198	20,037
-	194	3,884	-	3,884	17,620
1,839	575	11,491	-	11,491	10,728
1,143	357	7,142	-	7,142	9,573
1,064	332	6,647	-	6,647	17,783
2,580	2,580	51,600	-	51,600	59,496
-	-	125,156	-	125,156	134,865
2,241	700	14,008	-	14,008	13,804
-	28,037	28,037	-	28,037	34,671
2,856	893	17,851	-	17,851	14,042
-	-	3,290	-	3,290	2,690
626	-	626	-	626	
193	256	4,490	-	4,490	3,299
-	-	3,500	-	3,500	2,132
4,728	1,477	29,547	-	29,547	44,332
850	266	5,426	-	5,426	9,198
\$ 116,858	\$ 113,018	\$ 1,321,882	\$ -	\$ 1,321,882	\$ 1,438,079

COMBINING STATEMENT OF CASH FLOWS

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

June 30, 2015

With comparative totals for June 30, 2014

	Junior Achievement	Foundation
Cash Flows from Operating Activities		
Change in net assets	\$ 273,282	\$ 7,877
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,008	-
Net unrealized and realized gain on investments	(42,440)	(7,877)
Unrealized gain on revaluation of beneficial interest	(1,482)	-
Campaign cash collected restricted for long term purposes	(181,150)	-
In-kind donation of equipment	(20,500)	-
Changes in operating assets and liabilities:		
Promises to give/other receivables	72,157	-
Inventory	(14,905)	-
Prepaid expenses	7,948	-
Accounts payable and accrued expenses	10,281	-
Scholarships payable	500	-
Custodial fund	7,971	-
Net Cash Provided by Operating Activities	125,670	-
Cash Flows from Investing Activities		
Purchase of property and equipment	(4,022)	-
Proceeds from sale of investments	-	-
Purchase of investments	(111,309)	-
Net Cash Used for Investing Activities	(115,331)	-
Cash Flows from Financing Activities		
Principal payments under capital lease obligations	(1,576)	-
Campaign cash collected restricted for long term purposes	181,150	-
Net Cash Provided by Financing Activities	179,574	-
Net Increase in Cash	189,913	-
Cash, beginning of year	598,815	-
Cash, end of year	\$ 788,728	\$ -

Note: Restricted custodial cash of \$41,789 is not included in the statement of cash flows because it is not available for general operations.

Eliminations	2015		2014	
		Combined Totals		Combined Totals
\$ -	\$	281,159	\$	884,626
-		14,008		13,804
-		(50,317)		(81,119)
-		(1,482)		(8,711)
-		(181,150)		(242,908)
-		(20,500)		(5,900)
-		72,157		(492,223)
-		(14,905)		(25,222)
-		7,948		46,148
-		10,281		39,310
-		500		(368)
-		7,971		
-		125,670		127,437
-		(4,022)		-
-		-		126,714
-		(111,309)		(208,138)
-		(115,331)		(81,424)
-		(1,576)		(498)
-		181,150		242,908
-		179,574		242,410
-		189,913		288,423
-		598,815		310,392
\$ -	\$	788,728	\$	598,815

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

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 Generally Accepted Accounting Principles, 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, 2015

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

Contributions

In accordance with Generally Accepted Accounting Principles, 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.

Property and Equipment

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, 2015

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 generally accepted accounting principles 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 generally accepted accounting principles. 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, 2015

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.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform with the current year's presentation. The reclassifications had no effect on the change in net assets or net assets for the year ended June 30, 2014.

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Organization's financial position and operations. The summarized information is presented in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

Note B – Restricted Cash/Custodial Fund

Restricted cash of \$41,789 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.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

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 \$110,266. 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.

Note D – Pledges Receivable

The Organization had the following unconditional promises to give as of June 30, 2015:

Receivable in the year ending June 30, 2016	\$	675,270
2017		153,400
2018		147,900
2019		13,500
2020		3,400
		<hr/>
Total unconditional promises to give		993,470
Less: discounts to net present value at 3%		(14,626)
Less: allowance for uncollectible pledges		(11,204)
		<hr/>
Net unconditional promises to give	\$	<u>967,640</u>

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

Note E – Fair Value Measurement

Generally accepted accounting principles 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 measurement) 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 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.

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

<u>Description</u>				Fair Value
	Level 1	Level 2	Level 3	June 30, 2015
Equities	\$ 408,212	\$ -	\$ -	\$ 408,212
Mutual funds - fixed income	1,851,655	-	-	1,851,655
Certificates of deposit	1,671	-	-	1,671
Beneficial interest in perpetual endowment	68,342	-	-	68,342
	<u>\$ 2,329,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,329,880</u>

<u>Description</u>				Fair Value
	Level 1	Level 2	Level 3	June 30, 2014
Equities	\$ 314,025	\$ -	\$ -	\$ 314,025
Mutual funds - fixed income	1,784,416	-	-	1,784,416
Certificates of deposit	1,671	-	-	1,671
Beneficial interest in perpetual endowment	66,660	-	-	66,660
	<u>\$ 2,166,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,166,772</u>

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

Note E – Fair Value Measurement (Continued)

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 \$28,147 as of June 30, 2015.

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 \$40,195 as of June 30, 2015.

Note F – Property and Equipment

Property and equipment are summarized as follows:

	Amount	Estimated Useful Life - Years
Telephone equipment	\$ 17,395	5
Office equipment	73,847	3 to 5
Office furniture and fixtures	201,603	3 to 15
Total cost	292,845	
Less accumulated depreciation	216,380	
Net carrying amount	<u>\$ 76,465</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.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

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

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 Statements of Financial Position are \$68,342 and \$66,660 at June 30, 2015 and 2014, respectively, and are described as “Beneficial interest in perpetual endowment funds.”

In addition, in honor of Edward Frey, the founder of Junior Achievement in the Grand Rapids area, the Frey Foundation has 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, 2015 was \$452,075.

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 \$1,620,375 and \$1,489,811 at June 30, 2015 and 2014, 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, cash donations received in advance for use in future periods for both operating purposes and the Capstone.

Note I – Lease Obligations

The Organization is currently leasing its main office space in Grand Rapids on a month to month basis for monthly payments of \$2,900. 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 \$51,600 and \$59,469 for the years ended June 30, 2015 and 2014, respectively. 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 \$1,795 for the years ended June 30, 2015 and 2014, respectively.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

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 and \$679 was charged to depreciation for the years ended June 30, 2015 and 2014, respectively. Interest expense of \$625 and \$237 was charged for the years ended June 30, 2015 and 2014, respectively. Following is a summary of property held under capital lease as of June 30, 2015:

Copier	\$	9,059
Less: accumulated depreciation		(2,491)
		<u>6,568</u>
	\$	<u>6,568</u>

The total remaining lease payments required under the capital lease as of June 30, 2015, is as follows:

Year ending June 30, 2016	\$	2,204
2017		2,204
2018		2,204
2019		<u>1,470</u>
Net minimum lease payments		8,082
Amount representing interest		<u>(1,097)</u>
Present value of minimum lease payments	\$	<u>6,985</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 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, 2015 and 2014 was \$86,881 and \$87,146, respectively.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the year ended June 30, 2015

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>2015</u>	<u>2014</u>
Benefit obligations	\$ (77,147,902)	\$ (73,709,786)
Fair Value of Plan assets	54,503,578	50,386,905
Underfunded status	<u>\$ (22,644,324)</u>	<u>\$ (23,322,881)</u>
Accumulated benefit obligation	<u>\$ 70,170,258</u>	<u>\$ 65,944,688</u>

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

	<u>2015</u>	<u>2014</u>
Discount rate	4.00%	3.75%
Rate of compensation increase	4.00%	4.00%

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

	<u>2015</u>	<u>2014</u>
Discount rate	4.00%	4.25%
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, 2015:

2016	\$ 9,885,934
2017	5,890,992
2018	6,830,462
2019	6,617,682
2020	5,832,692
2021-2025	29,101,453

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

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, 2015 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:

	2015	2014
Equity mutual funds	55.00%	56.00%
Fixed income mutual funds	40.00%	39.00%
Real estate security mutual funds	5.00%	5.00%
	100.00%	100.00%

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2015

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 some of its multiemployer plans, the Organization may be required to pay those plans 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, 2015 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 2015 and 2014 is for years ended June 30, 2015 and 2014, respectively. There have been no significant changes that affect the comparability of the 2015 and 2014 contributions.

Pension Fund	EIN/Pension Plan Number	Funded Status		Contributions by Organization	
		2015	2014	2015	2014
Retirement plan for Employees of Junior Achievement USA	13-1635270 PN 333	71.00%	68.00%	\$ 86,881	\$ 87,146
			Total Contributions	\$ 86,881	\$ 87,146

The Organization was listed in its plan's Form 5500 as providing more than 5 percent of the total contributions for the June 30, 2015 and 2014 plan years.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$ 5,678,025	\$ 5,743,911
Liabilities	211,796	215,827
Net Assets	<u>\$ 5,466,229</u>	<u>\$ 5,528,084</u>
Additions to net assets	\$ 6,889,679	\$ 6,796,856
Deductions from net assets	6,951,534	6,428,489
Change in Net Assets	(61,855)	368,367
Net Assets, Beginning of Year	<u>5,528,084</u>	<u>5,159,717</u>
Net Assets, End of Year	<u>\$ 5,466,229</u>	<u>\$ 5,528,084</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 \$209,609 and \$232,760, respectively, and claims incurred but not reported of \$370,387 and \$294,435, 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, 2015

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>2015</u>	<u>2014</u>
Benefit obligation	\$ 6,518,453	\$ 7,126,529
Fair value of Plan assets	-	-
Underfunded status	<u>\$ (6,518,453)</u>	<u>\$ (7,126,529)</u>
Accumulated benefit obligation	<u>\$ (6,518,453)</u>	<u>\$ (7,126,529)</u>

Weighted-average assumptions used to determine benefit obligations at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Discount rate	4.00%	3.75%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine benefit costs at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Discount rate	3.75%	4.25%
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, 2015:

2016	\$	311,707
2017		313,099
2018		334,012
2018		349,895
2019		374,722
2021-2025		1,901,929

The Organization's premium expense for the Postretirement Benefits Plan for the years ended June 30, 2015 and 2014 was \$74,694 and \$88,337, respectively.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2015

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, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Muskegon Community Foundation Perpetual Endowment Fund	\$ -	\$ 10,948	\$ 17,200	\$ 28,148
Capital Region Community Foundation Perpetual Endowment Fund	-	11,512	28,682	40,194
	<u>\$ -</u>	<u>\$ 22,460</u>	<u>\$ 45,882</u>	<u>\$ 68,342</u>

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2015

Note M – Endowment Net Assets (Continued)

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.

Changes in endowment net assets for the year ended June 30, 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beneficial Interest in Perpetual Endowment Fund July 1, 2014	\$ -	\$ 20,978	\$ 45,682	\$ 66,660
Contributions	-	-	200	200
Investment income	-	2,092	-	2,092
Unrealized/realized gain on investments	-	(129)	-	(129)
Investment fees	-	(481)	-	(481)
Unrealized gain on revaluation of beneficial interest	-	1,482	-	1,482
Beneficial Interest in Perpetual Endowment Fund June 30, 2015	\$ -	\$ 22,460	\$ 45,882	\$ 68,342

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, 2015.