

**JUNIOR ACHIEVEMENT
OF WISCONSIN, INC.**

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Junior Achievement of Wisconsin, Inc.

We have audited the accompanying financial statements of Junior Achievement of Wisconsin, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Wisconsin, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 23 and 24, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Schenck AC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Milwaukee, Wisconsin
November 8, 2017

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS	2017	2016
<u>Current assets</u>		
Cash	\$ 1,044,350	\$ 746,082
Accounts receivable	13,567	24,167
Current maturities of promises receivable, net	1,062,161	919,886
Prepaid expenses and other	187,976	187,523
Current maturities of note receivable	4,117	3,916
Total current assets	2,312,171	1,881,574
<u>Other assets</u>		
Noncurrent maturities of promises receivable, net	520,500	784,000
Investments, at fair value	9,099,967	8,307,207
Noncurrent maturities of note receivable	154,463	158,581
Property and equipment, net	6,934,351	7,078,090
Total other assets	16,709,281	16,327,878
	\$ 19,021,452	\$ 18,209,452
 LIABILITIES		
<u>Current liabilities</u>		
Accounts payable	\$ 138,339	\$ 116,665
Current maturities of deferred gain	2,404	2,287
Other liabilities	229,933	242,944
Total current liabilities	370,676	361,896
<u>Long-term liabilities</u>		
Noncurrent maturities of deferred gain	87,522	91,556
Total liabilities	458,198	453,452
 NET ASSETS		
Unrestricted	10,449,802	10,130,123
Unrestricted - board designated	4,030,450	3,718,500
Total unrestricted net assets	14,480,252	13,848,623
Temporarily restricted	2,397,572	2,226,064
Permanently restricted	1,685,430	1,681,313
Total net assets	18,563,254	17,756,000
	\$ 19,021,452	\$ 18,209,452

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<u>Support and revenue</u>				
Contributions:				
Corporate	\$ 1,462,236	\$ 434,032	\$ -	\$ 1,896,268
Individual	543,261	161,255	-	704,516
Foundations	533,107	158,241	-	691,348
	<u>2,538,604</u>	<u>753,528</u>	<u>-</u>	<u>3,292,132</u>
Total contributions				
Special event revenue	1,841,940	288,865	-	2,130,805
Special event expense	(723,960)	-	-	(723,960)
	<u>1,117,980</u>	<u>288,865</u>	<u>-</u>	<u>1,406,845</u>
Net special event revenue				
Rent	1,800	-	-	1,800
Other	28,982	-	-	28,982
Net assets released from restrictions	1,257,548	(1,261,665)	4,117	-
	<u>4,944,914</u>	<u>(219,272)</u>	<u>4,117</u>	<u>4,729,759</u>
<u>Expenses</u>				
Program services:				
High school program	494,352	-	-	494,352
Middle school program	699,819	-	-	699,819
Elementary school program	2,034,599	-	-	2,034,599
Milwaukee Capstone	879,170	-	-	879,170
	<u>4,107,940</u>	<u>-</u>	<u>-</u>	<u>4,107,940</u>
Total program services				
Support services				
Fund raising:				
Solicitation of funds	484,238	-	-	484,238
Solicitation of program volunteers	160,407	-	-	160,407
	<u>644,645</u>	<u>-</u>	<u>-</u>	<u>644,645</u>
Total fund raising				
Management and general	296,153	-	-	296,153
	<u>940,798</u>	<u>-</u>	<u>-</u>	<u>940,798</u>
Total support services				
Public support allocable to JA USA	136,002	-	-	136,002
	<u>5,184,740</u>	<u>-</u>	<u>-</u>	<u>5,184,740</u>
Changes from operations	(239,826)	(219,272)	4,117	(454,981)
<u>Changes from investments:</u>				
Investment income	67,967	37,463	-	105,430
Gain (loss) on investments, net:				
Realized gain, net	173,410	81,744	-	255,154
Unrealized gain (loss), net	630,078	271,573	-	901,651
Total gain (loss) on investments, net	803,488	353,317	-	1,156,805
	<u>871,455</u>	<u>390,780</u>	<u>-</u>	<u>1,262,235</u>
Change in net assets	631,629	171,508	4,117	807,254
<u>Net assets</u>				
Beginning of year	13,848,623	2,226,064	1,681,313	17,756,000
End of year	<u>\$ 14,480,252</u>	<u>\$ 2,397,572</u>	<u>\$ 1,685,430</u>	<u>\$ 18,563,254</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<u>Support and revenue</u>				
Contributions:				
Corporate	\$ 1,398,712	\$ 906,518	\$ -	\$ 2,305,230
Individual	388,531	251,811	-	640,342
Foundations	498,234	322,910	-	821,144
Total contributions	2,285,477	1,481,239	-	3,766,716
Special event revenue	1,663,358	332,393	-	1,995,751
Special event expense	(657,817)	-	-	(657,817)
Net special event revenue	1,005,541	332,393	-	1,337,934
Rent	5,950	-	-	5,950
Other	47,227	-	-	47,227
Net assets released from restrictions	1,669,755	(1,711,784)	42,029	-
	<u>5,013,950</u>	<u>101,848</u>	<u>42,029</u>	<u>5,157,827</u>
<u>Expenses</u>				
Program services:				
High school program	502,019	-	-	502,019
Middle school program	659,342	-	-	659,342
Elementary school program	2,002,026	-	-	2,002,026
Milwaukee Capstone	1,059,825	-	-	1,059,825
Total program services	4,223,212	-	-	4,223,212
Support services				
Fund raising:				
Solicitation of funds	493,725	-	-	493,725
Solicitation of program volunteers	194,701	-	-	194,701
Total fund raising	688,426	-	-	688,426
Management and general	370,828	-	-	370,828
Total support services	1,059,254	-	-	1,059,254
Public support allocable to JA USA	144,188	-	-	144,188
	<u>5,426,654</u>	<u>-</u>	<u>-</u>	<u>5,426,654</u>
Changes from operations	(412,704)	101,848	42,029	(268,827)
<u>Changes from investments:</u>				
Investment income	88,406	38,983	-	127,389
Gain (loss) on investments, net:				
Realized gain, net	501,143	206,142	-	707,285
Unrealized gain (loss), net	(654,614)	(269,370)	-	(923,984)
Total gain (loss) on investments, net	(153,471)	(63,228)	-	(216,699)
	<u>(65,065)</u>	<u>(24,245)</u>	<u>-</u>	<u>(89,310)</u>
Change in net assets	(477,769)	77,603	42,029	(358,137)
<u>Net assets</u>				
Beginning of year	14,326,392	2,148,461	1,639,284	18,114,137
End of year	<u>\$ 13,848,623</u>	<u>\$ 2,226,064</u>	<u>\$ 1,681,313</u>	<u>\$ 17,756,000</u>

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 807,254	\$ (358,137)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	217,672	270,612
Realized gain on investments	(255,154)	(707,285)
Unrealized loss (gain) on investments	(901,651)	923,984
Gain on sale of property and equipment	(3,917)	(20,021)
Changes in assets and liabilities:		
Accounts receivable	10,600	(14,300)
Promises receivable	121,225	(448,636)
Prepaid expenses and other	(453)	(90,213)
Accounts payable	21,674	(35,795)
Other liabilities	(13,011)	34,698
Net cash provided by (used in) operating activities	4,239	(445,093)
<u>Cash flows from investing activities</u>		
Purchase of property and equipment	(73,933)	(166,292)
Proceeds from sale of investments	726,507	926,280
Proceeds from sale of property and equipment	-	30,000
Proceeds from note receivable	3,917	2,503
Purchases of investments	(362,462)	(759,364)
Net cash provided by investing activities	294,029	33,127
Net increase (decrease) in cash	298,268	(411,966)
<u>Cash</u>		
Beginning of year	746,082	1,158,048
End of year	\$ 1,044,350	\$ 746,082
<u>Supplemental schedule of non-cash investing and financing activities</u>		
Note receivable issued in exchange for property and equipment	\$ -	\$ 165,000
Deferred gain on sale of property and equipment	-	93,843

See accompanying notes to financial statements.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Junior Achievement of Wisconsin, Inc. (the Organization) is a charter member of Junior Achievement USA (JA USA). It is a not-for-profit corporation organized and existing under the laws of the State of Wisconsin and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization was created for the purposes of educating and inspiring young people to value free enterprise and understand business and economics to improve the quality of their lives.

The Organization is composed of 14 districts as shown on the Supplemental Schedule and includes the Junior Achievement Women's Association (JAWA). JAWA's purpose is to promote the objectives of the Organization, including raising funds to further such objectives.

Use of estimates: Management uses estimates and assumptions in preparing financial statements. 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 differ from those estimates.

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

Basis of presentation: Net assets of the Organization are classified as follows:

Unrestricted net assets - net assets that are neither temporarily nor permanently restricted by donor imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions whose use by the Organization is limited to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organization. The donors of these assets permit the Organization to use income from the related investments for general or specific purposes.

Accounts receivable: Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. Credit is extended on a short-term basis and collateral is not required. Accounts receivable do not bear interest or a finance charge. Based on the Organization's assessment of the credit history of accounts having outstanding balances, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises receivable: Unconditional promises receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises receivable that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises receivable are recognized only when the conditions on which they depend are substantially met. The Organization believes that an allowance for promises to give is not necessary based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Property and equipment: The Organization's capitalization policy is to capitalize all acquisitions and improvements in excess of \$1,000. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to operations as incurred.

Valuation of investments and income recognition: The Organization carries its investments at fair value in the Statements of Financial Position. 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. See Note 6 for a discussion of fair value measurements. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Investment income of dividend and interest is recorded on the accrual basis. Purchases and sales of securities are recorded on a trade-date basis.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Contribution recognition: Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the Statements of Activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses: The cost of providing various programs and other activities has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income tax status: The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from Wisconsin income taxes.

Concentration of credit risk: The Organization maintains its bank accounts at various financial institutions. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 per insured depository institution. The Organization's cash deposits may exceed these federally insured limits at times during the year. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

The Organization defines a major donor as any donor accounting for 10% or more of the Organization's contributions during a fiscal year. During the year ended June 30, 2017 the Organization did not have any donor exceed 10% of the Organization's total contributions. During the year ended June 30, 2016 one donor individually accounted for 27% of the Organization's total contributions.

Recently issued accounting standards: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting standards (continued): In August 2016 the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. This standard will be effective for the fiscal year ending June 30, 2019. The Organization is currently evaluating the impact of this ASU on its financial statements.

Subsequent events: The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 8, 2017, the date on which the financial statements were available to be issued.

NOTE 2 – CONTRIBUTED GOODS AND SERVICES

Individuals and corporations provide goods and professional services to the Organization free of charge. These contributed goods and services have been recognized in the financial statements for the years ended June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Unrestricted contributions	\$ 73,625	\$ 73,887
Special event revenues	287,198	229,703
Special event expenses	(287,198)	(229,892)
Total	<u>73,625</u>	<u>73,698</u>
Expenses		
High school program	7,587	7,576
Middle school program	11,903	10,443
Elementary school program	29,609	30,358
Capstone	19,533	21,660
Management and general	2,842	1,921
Fund raising	2,151	1,740
Total	<u>73,625</u>	<u>73,698</u>
Net	<u>\$ -</u>	<u>\$ -</u>

Furthermore, of the total contributed goods and services listed above, contributed services were an immaterial amount. Also, the services provided by volunteers to operate the Organization and teach business courses are not reflected in the financial statements since they do not meet the criteria for recognition.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3 – PROMISES RECEIVABLE

Promises receivable are summarized as follows at June 30:

	<u>2017</u>	<u>2016</u>
Total promises receivable	\$ 1,597,161	\$ 1,714,886
Less: adjustment to present value of future cash flows	<u>(14,500)</u>	<u>(11,000)</u>
Promises receivable, net	1,582,661	1,703,886
Less: current maturities	<u>(1,062,161)</u>	<u>(919,886)</u>
Noncurrent maturities	<u>\$ 520,500</u>	<u>\$ 784,000</u>

The discount rate used to determine the present value of promises receivable represent risk-free interest rates ranging from 1.38% to 1.89% at June 30, 2017, and .58% to 1.01% at June 30, 2016, applicable to the years in which the promises are received.

Payments on promises receivable at June 30, 2017 are expected to be received as follows for the years ended June 30:

2018	\$ 1,062,161
2019	410,000
2020	70,000
2021	<u>55,000</u>
	<u>\$ 1,597,161</u>

NOTE 4 – NOTE RECEIVABLE

On September 30, 2015 the Organization sold a building for \$195,000 on a five year land contract, amortized over 30 years, at 5.03%. The note receivable is recorded at the amount the Organization expects to collect. Interest income on the note receivable is recognized using the interest method. Based on the Organization's assessment of the credit history of the borrower and current relationships with them, and given the note receivable is secured by a lien on the property, management believes it will be fully collectible.

As of June 30, 2017 and 2016, the balance on the land contract note receivable was \$158,580 and \$162,497, respectively, which is presented on the statements of financial position as current maturities and noncurrent maturities of note receivable. The Company is accounting for the sale of the building under the installment method, which recognizes gain as principal is received. During the years ended June 30, 2017 and 2016, the Organization recognized a gain on sale of \$3,917 and \$20,021, respectively. As of June 30, 2017 and 2016, the balance on the deferred gain was \$89,926 and \$93,843, respectively, which is presented on the statements of financial position as current maturities and noncurrent maturities of deferred gain.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 5 - INVESTMENTS

Endowment funds that require the corpus to be retained and only the investment return to be used for program or administrative services are classified as permanently restricted. The endowment funds' earnings and realized and unrealized gains or losses are classified as unrestricted or temporarily restricted based on the donors' intentions.

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 affect the amounts reported in these financial statements.

See Note 6 for a schedule of the Organization's detailed investment holdings as of June 30, 2017 and 2016.

NOTE 6 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides 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 prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB Accounting Standard Codification 820 *Fair Value Measurements and Disclosures* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

- Investments - Mutual funds are valued at quoted market prices, which represent the net asset value of the shares held by each mutual fund at year end. The mutual funds held by the Organization are deemed to be actively traded.

The preceding valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level, within the fair value hierarchy, the Organizations' investments at fair value as of June 30, 2017 and 2016:

	Investments at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
<u>Mutual funds:</u>				
Money market/deposit accts	\$ 375,797	\$ -	\$ -	\$ 375,797
<u>Equity:</u>				
Large-cap value	2,283,267	-	-	2,283,267
Mid-cap value	680,787	-	-	680,787
Small-cap value	343,498	-	-	343,498
Large-cap growth	1,822,891	-	-	1,822,891
Mid-cap growth	807,672	-	-	807,672
Small-cap growth	653,507	-	-	653,507
International	798,152	-	-	798,152
<u>Fixed income:</u>				
Intermediate term	1,071,332	-	-	1,071,332
Inflation protected bond	128,548	-	-	128,548
Bank loan	134,516	-	-	134,516
Total investments	<u>\$ 9,099,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,099,967</u>

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

	Investments at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
<u>Mutual funds:</u>				
Money market/deposit accts	\$ 493,748	\$ -	\$ -	\$ 493,748
Equity:				
Large-cap value	1,893,012	-	-	1,893,012
Mid-cap value	585,677	-	-	585,677
Small-cap value	280,015	-	-	280,015
Large-cap growth	1,583,030	-	-	1,583,030
Mid-cap growth	654,184	-	-	654,184
Small-cap growth	531,113	-	-	531,113
International	654,594	-	-	654,594
Fixed income:				
Intermediate term	1,293,903	-	-	1,293,903
Tactical allocation	337,931	-	-	337,931
Total investments	<u>\$ 8,307,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,307,207</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	Estimated Useful Lives	2017	2016
Land	N/A	\$ 785,406	\$ 785,406
Buildings and improvements	15 to 40 years	6,131,691	6,110,074
Equipment	3 to 7 years	1,229,257	1,201,592
Furniture and fixtures	7 years	544,898	520,247
Vehicles	5 years	70,979	70,979
		<u>8,762,231</u>	<u>8,688,298</u>
Accumulated depreciation		<u>(1,827,880)</u>	<u>(1,610,208)</u>
		<u>\$ 6,934,351</u>	<u>\$ 7,078,090</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$217,672 and \$270,612, respectively.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 8 – RETIREMENT PLANS

The Organization is a participating member in the Retirement Plan for Employees of Junior Achievement USA (Plan), a defined benefit pension retirement plan of JA USA. The Plan's Employer Identification Number is 13-1635270 and the Plan Number is 333. The Plan is administered by the Pension and Benefits Committee (Committee) of JA USA's board of directors. The Plan provides retirement, death and disability benefits for any person who is regularly employed by JA USA, JA Worldwide or participating Junior Achievement members (such as the Organization) meeting specified eligibility requirements. Benefits are determined based on years of service and salary history. The Organization is required to fund the Plan, as determined necessary by the Committee, based on an annual actuarial valuation. The Organization's contributions to the Plan are equal to 16.75% of participants' eligible compensation. The retirement plan expense assessed by USA and charged against operations in fiscal years 2017 and 2016 was approximately \$344,000 and \$326,000, respectively. The Organization's contributions to the Plan were less than 5% of the Plan's total contributions.

Significant balances, costs and assumptions of the Plan are as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Benefit obligation	\$ 75,095,461	\$ 81,344,372
Fair value of Plan assets	<u>59,348,548</u>	<u>55,068,370</u>
Underfunded amount	<u>\$ (15,746,913)</u>	<u>\$ (26,276,002)</u>
Funded status percentage	<u>79%</u>	<u>68%</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:

	<u>2017</u>	<u>2016</u>
Discount rate	3.50%	3.25%
Expected return on Plan assets	6.25%	6.25%
Rate of compensation increase	4.00%	4.00%

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 8 – RETIREMENT PLANS (CONTINUED)

There is no recognition of the above underfunded status of the Plan in the financial statements of the Organization. However, in the event of Plan termination, participating members as of the date of Plan termination, as well as any participating members that may have withdrawn at any time in the past, will be required to contribute a proportionate share of any unfunded liabilities, as determined in the discretion of the Committee, to be necessary to terminate the Plan. Only to the extent required under the Internal Revenue Code and the Employee Retirement Income Security Act, each member shall be jointly and severally liable for required contributions or installments. The Committee has not elected to terminate the Plan and therefore the amount the Organization might be expected to contribute, if any, cannot be reasonably estimated at this time and, accordingly, no additional provision for any estimated future liability is reflected in the accompanying financial statements.

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

1. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. 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 sponsors a 401(k) retirement plan covering all eligible employees. The Organization made no contributions to the Plan during the years ended June 30, 2017 and 2016.

NOTE 9 – RESTRICTIONS ON NET ASSET BALANCES

Unrestricted – board designated net assets consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Pieper Challenge Fund	\$ 2,703,801	\$ 2,365,562
Racine investments	519,255	514,231
Winnebago investments	214,893	332,426
Brown investments	120,413	174,593
East Central investments	171,313	143,700
Northcentral investments	205,749	116,236
Other	95,026	71,752
Total	<u>\$ 4,030,450</u>	<u>\$ 3,718,500</u>

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 9 – RESTRICTIONS ON NET ASSET BALANCES (CONTINUED)

Temporarily restricted net assets consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Time restricted contributions	\$ 764,249	\$ 747,445
Pamela and Leslie Muma scholarship fund	23,223	21,003
Capstone project	1,292,723	1,348,655
Other	317,377	108,961
Total	<u>\$ 2,397,572</u>	<u>\$ 2,226,064</u>

Net assets released from restrictions of \$1,261,665 and \$1,711,784 during fiscal years 2017 and 2016, respectively, related primarily to the expiration of time restrictions and the fulfillment of restrictions related to Capstone pledges.

Permanently restricted net assets as of June 30 are endowment contributions for the following funds:

	<u>2017</u>	<u>2016</u>
Koss principal	\$ 4,500	\$ 4,500
Wolf River endowment principal	150,000	150,000
Capstone endowment	500,042	500,042
Pieper Family Fund	1,030,888	1,026,771
Total	<u>\$ 1,685,430</u>	<u>\$ 1,681,313</u>

NOTE 10 – PIEPER ENDOWMENT

In 1996, Suzanne and Richard Pieper endowed \$500,000 (Pieper Family Fund) to Junior Achievement of Wisconsin, Inc. The Board of Directors of Junior Achievement of Wisconsin, Inc. (Board) had subsequently board designated \$1,000,000 in fund balances (Pieper Challenge Fund). Under the terms of the endowment, Junior Achievement of Wisconsin, Inc. is allowed to use half of the appreciation on the value of the funds in their operations. The remaining half must be used to increase the basis of the endowment. For the fiscal years ended June 30, 2017 and 2016, \$4,117 and \$42,029, respectively, has been transferred into both permanently restricted and unrestricted net assets from temporarily restricted net assets for the Pieper Family Fund. For the fiscal years ended June 30, 2017 and 2016, \$120,590 and \$112,779, respectively, has been released from restriction for the Pieper Challenge Fund. Since the inception of the Pieper Family Fund and the Pieper Challenge Fund, Junior Achievement of Wisconsin, Inc. has received \$534,485 and \$1,442,390, respectively. On June 30, 2017, the balance in the Pieper Family Fund is \$1,030,888, all of which is permanently restricted. On June 30, 2017, the balance in the Pieper Challenge Fund is \$2,703,801, all of which is unrestricted – board designated.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 – PIEPER ENDOWMENT (CONTINUED)

The average annual returns through June 30, 2017 on these funds are as follows:

	<u>Inception Date</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>	<u>Since Inception</u>
Pieper Family Fund	5/17/1996	19.51%	7.28%	12.36%	5.32%	7.90%	7.38%
Pieper Challenge Fund	10/3/1996	19.51%	7.28%	12.36%	5.32%	7.84%	8.89%

NOTE 11 – ENDOWMENTS

The Organizations' endowments consist of funds established for a variety of purposes, which includes the Pieper Endowment (see Note 10). The endowments include both donor-restricted endowments and funds designated by the Board of Directors to function as endowments. Net assets associated with endowments, including board-designated funds to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization pools the endowment funds with other funds at the Organization and invests the monies available in various mutual funds (including money market, equity and fixed-income) following the Organization's investment policies.

The Organization follows the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (Act) for guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization. Wisconsin adopted the Act on July 20, 2009 and requires that in making decisions to appropriate or accumulate monies in endowment funds, the Organization shall act in good faith, with care that an ordinarily prudent person in a like position would exercise under similar circumstances, to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization has reported the original value of all gifts as permanently restricted contributions and will continue to report the original value of all subsequent gifts as permanently restricted contributions.

Accumulated earnings in excess of the original value of all gifts have been restricted by the donors to support the programs and are considered temporarily restricted net assets until appropriated for expenditure by the organization, at which time they are reclassified to unrestricted net assets.

The Organization has adopted an investment policy to provide for long-term growth of principal while avoiding excessive risk and to achieve returns in excess of the rate of inflation. More specifically, the return goal is to exceed an absolute real rate of return of 5.5%. Availability of funds for spending by the Organization will equal 5.5% in Milwaukee, and 5.0% in the Districts and in Capstone, of the trailing 20-quarter average determined on March 31st of each year for the following fiscal year.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 11 – ENDOWMENTS (CONTINUED)

The Board of Directors of the Organization approved a transfer of \$236,887 and \$226,137 from the Organization's investment account into the Organization's checking account for general operating purposes during the years ended June 30, 2017 and 2016, respectively. In addition, per the Capstone Endowment policy, a release of \$66,566 and \$66,920 was made during the years ended June 30, 2017 and 2016, respectively. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities as well as cash. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed by management to not expose the funds to unacceptable levels of risk.

From time to time the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in unrestricted net assets as of June 30, 2017 and 2016.

The balance in the endowment investment funds consists of the following net asset classifications at June 30, 2017:

	Unrestricted Board <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 317,377	\$1,685,430	\$2,002,807
Board designated endowments	<u>4,030,450</u>	<u>-</u>	<u>-</u>	<u>4,030,450</u>
Total endowments	<u>\$4,030,450</u>	<u>\$ 317,377</u>	<u>\$1,685,430</u>	<u>\$6,033,257</u>

The balance in the endowment investment funds consists of the following net asset classifications at June 30, 2016:

	Unrestricted Board <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 108,961	\$1,681,313	\$1,790,274
Board designated endowments	<u>3,718,500</u>	<u>-</u>	<u>-</u>	<u>3,718,500</u>
Total endowments	<u>\$3,718,500</u>	<u>\$ 108,961</u>	<u>\$1,681,313</u>	<u>\$5,508,774</u>

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 11 – ENDOWMENTS (CONTINUED)

The following schedule summarizes the changes in the endowment investment funds by net asset class for the year ended June 30, 2017:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, July 1, 2016	\$3,718,500	\$ 108,961	\$1,681,313	\$5,508,774
Investment return:				
Investment income	50,507	16,191	-	66,698
Gain on investments, net	<u>611,939</u>	<u>223,028</u>	<u>-</u>	<u>834,967</u>
Total	<u>662,446</u>	<u>239,219</u>	<u>-</u>	<u>901,665</u>
Amount added to endowment	-	-	4,117	4,117
Amount released from District board designations	<u>(350,496)</u>	<u>(30,803)</u>	<u>-</u>	<u>(381,299)</u>
Endowment investments, June 30, 2017	<u>\$4,030,450</u>	<u>\$ 317,377</u>	<u>\$1,685,430</u>	<u>\$6,033,257</u>

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 11 – ENDOWMENTS (CONTINUED)

The following schedule summarizes the changes in the endowment investment funds by net asset class for the year ended June 30, 2016:

	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, July 1, 2015	\$3,998,403	\$ 210,116	\$1,639,284	\$5,847,803
Contributions:	112	-	-	112
Investment return:				
Investment income	63,086	18,588	-	81,674
Loss on investments, net	<u>(115,046)</u>	<u>(43,474)</u>	<u>-</u>	<u>(158,520)</u>
Total	<u>(51,960)</u>	<u>(24,886)</u>	<u>-</u>	<u>(76,846)</u>
Amount added to endowment	-	-	42,029	42,029
Amount released from District board designations	<u>(228,055)</u>	<u>(76,269)</u>	<u>-</u>	<u>(304,324)</u>
Endowment investments, June 30, 2016	<u><u>\$3,718,500</u></u>	<u><u>\$ 108,961</u></u>	<u><u>\$1,681,313</u></u>	<u><u>\$5,508,774</u></u>

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 12 – RELATED-PARTY TRANSACTIONS

As discussed in Note 1, the Organization is affiliated with the national organization JA USA. As such, the Organization purchases class materials and insurance and is required to allocate a portion of their support to JA USA. During the years ended June 30, 2017 and 2016, the Organization paid JA USA approximately the following amounts:

	<u>2017</u>	<u>2016</u>
Class materials	\$ 498,000	\$ 609,000
Public support	136,000	144,000
General insurance	35,000	42,000
Health, dental and life insurance	367,000	385,000
Pension	344,000	326,000
Training/other	3,000	7,000
Software maintenance	14,000	14,000

In addition to the above transactions, the Organization engages in related party transactions with companies of various Board of Directors members including, but not limited to, routine service maintenance of their office copier along with maintenance of various checking, savings and certificates of deposit accounts at a variety of financial institutions. These transactions occurred in the normal course of business.

JUNIOR ACHIEVEMENT OF WISCONSIN, INC.

SUPPLEMENTAL SCHEDULE - SUPPORT, REVENUE AND EXPENSES AND CHANGES IN NET ASSETS OF DISTRICTS (UNAUDITED)
Year Ended June 30, 2017 with Comparative Totals for 2016

	Brown County	Coulee Region	Dane County	East Central	Winnebago Region	JAWA	Milwaukee
Support and revenue							
Contributions	\$ 95,346	\$ 72,672	\$ 140,202	\$ 68,214	\$ 160,981	\$ -	\$ 1,166,494
Special event revenue	108,359	35,990	30,512	124,695	108,871	544,394	710,195
Special event expense	(29,760)	(7,854)	(9,624)	(15,759)	(22,849)	(266,163)	(210,407)
Net special event revenue	78,599	28,136	20,888	108,936	86,022	278,231	499,788
Other	3,100	500	1,000	-	3,916	-	13,716
Total support and revenue	177,045	101,308	162,090	177,150	250,919	278,231	1,679,998
Expenses							
Program services	206,271	89,304	135,631	135,965	253,028	-	1,543,191
Support services							
Solicitation of funds	1,732	875	5,565	1,500	3,839	-	451,620
Solicitation of program volunteers	8,409	2,609	5,966	8,540	14,919	-	83,928
Management and general	1,732	770	2,035	1,097	1,998	71	275,345
Public support allocable to JA USA	29,276	12,346	20,379	21,909	37,624	-	(140,684)
Total expenses	247,420	105,904	169,576	169,011	311,408	71	2,213,400
Change	(70,375)	(4,596)	(7,486)	8,139	(60,489)	278,160	(533,402)
Changes from investments:							
Investment income	2,939	-	-	2,811	13,009	3,674	45,119
Gain (loss) on investments	21,536	-	-	18,377	35,187	121	827,246
Interdistrict transfers	-	-	-	-	(10,631)	(283,192)	296,142
Change in net assets	(45,900)	(4,596)	(7,486)	29,327	(22,924)	(1,237)	635,105
Net assets							
Beginning of year	174,268	7,806	(72,024)	184,184	390,918	130,983	11,684,521
End of year	\$ 128,368	\$ 3,210	\$ (79,510)	\$ 213,511	\$ 367,994	\$ 129,746	\$ 12,319,626

Capstone	Northcentral	Northwest	Portage & Wood Counties	Racine/ Kenosha	Rock County	Wolf River	2017 Total	2016 Total
\$ 845,280	\$ 177,158	\$ 295,652	\$ 54,396	\$ 106,268	\$ 70,275	\$ 39,194	\$ 3,292,132	\$ 3,766,716
-	120,228	151,495	35,524	52,127	31,000	77,415	2,130,805	1,995,751
-	(34,041)	(65,076)	(3,698)	(9,318)	(4,164)	(45,247)	(723,960)	(657,817)
-	86,187	86,419	31,826	42,809	26,836	32,168	1,406,845	1,337,934
5,500	-	1,050	-	1,750	-	250	30,782	53,177
850,780	263,345	383,121	86,222	150,827	97,111	71,612	4,729,759	5,157,827
899,820	174,171	302,962	75,590	172,338	64,969	54,700	4,107,940	4,223,212
-	2,744	11,644	725	1,998	1,423	573	484,238	493,725
-	3,733	24,012	-	-	5,679	2,612	160,407	194,701
5,000	1,452	2,581	1,625	1,215	717	515	296,153	370,828
32,541	33,180	40,000	9,386	22,794	11,854	5,397	136,002	144,188
937,361	215,280	381,199	87,326	198,345	84,642	63,797	5,184,740	5,426,654
(86,581)	48,065	1,922	(1,104)	(47,518)	12,469	7,815	(454,981)	(268,827)
20,041	3,460	388	-	10,669	-	3,320	105,430	127,389
129,319	20,379	-	-	81,410	-	23,230	1,156,805	(216,699)
(2,319)	-	-	-	-	-	-	-	-
60,460	71,904	2,310	(1,104)	44,561	12,469	34,365	807,254	(358,137)
4,054,258	222,937	98,538	24,705	624,414	45,159	185,333	17,756,000	18,114,137
<u>\$ 4,114,718</u>	<u>\$ 294,841</u>	<u>\$ 100,848</u>	<u>\$ 23,601</u>	<u>\$ 668,975</u>	<u>\$ 57,628</u>	<u>\$ 219,698</u>	<u>\$ 18,563,254</u>	<u>\$ 17,756,000</u>