

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

COMBINING FINANCIAL STATEMENTS

For the year ended
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

November 18, 2019

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, 2019, 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, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, Junior Achievement of the Michigan Great Lakes, Inc. and related entity, adopted ASU 2016-14, (*Presentation of Financial Statements of Not-for-Profit Entities*). Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Junior Achievement of the Michigan Great Lakes, Inc. and Related Entity's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

COMBINING STATEMENT OF FINANCIAL POSITION

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

June 30, 2019

With comparative totals for June 30, 2018

	Junior Achievement	
	Without Donor Restrictions	With Donor Restrictions
ASSETS		
Cash	\$ 132,768	\$ 1,033,361
Restricted custodial cash	10,332	-
Investments, at fair value	2,493,353	-
Promises to give, current portion	292,250	1,525,732
Inventory	80,720	-
Prepaid expenses	4,641	-
Total Current Assets	3,014,064	2,559,093
Promises to give, net of allowance of \$38,930 as of 2019 and \$30,330 as of 2018	-	144,070
Promises to give - Building Futures, Inspiring Dreams, net	-	1,186,630
Restricted investments - Building Futures, Inspiring Dreams	-	1,631,467
Due from affiliate	-	-
Land, property and equipment - net	519,358	-
Beneficial interest in perpetual endowment funds	8,250	85,430
Total Long Term Assets	527,608	3,047,597
Total Assets	\$ 3,541,672	\$ 5,606,690
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 176,454	\$ -
Due to affiliate	130,866	-
Scholarships payable	12,000	-
Capital lease obligation, current portion	-	-
Custodial fund	10,332	-
Total Current Liabilities	329,652	-
Total Liabilities	\$ 329,652	\$ -
Net Assets		
Without donor restrictions:		
Undesignated	\$ 3,217,166	\$ -
Board designated Northern Service Office assets	(5,146)	-
With donor restrictions:		
Time-restricted for future periods	-	5,560,808
Perpetual in nature	-	45,882
Total Net Assets	3,212,020	5,606,690
Total Liabilities and Net Assets	\$ 3,541,672	\$ 5,606,690

<u>Foundation</u> <u>Without Donor</u> <u>Restrictions</u>	<u>Eliminations</u>	<u>2019</u> <u>Combined Totals</u>	<u>2018</u> <u>Combined Totals</u>
\$ -	\$ -	\$ 1,166,129	\$ 589,445
-	-	10,332	11,845
-	-	2,493,353	2,396,778
-	-	1,817,982	1,158,586
-	-	80,720	104,699
-	-	4,641	74,148
-	-	5,573,157	4,335,501
-	-	144,070	121,920
-	-	1,186,630	1,143,374
-	-	1,631,467	1,093,633
130,866	(130,866)	-	-
-	-	519,358	528,345
-	-	93,680	81,668
130,866	(130,866)	3,575,205	2,968,940
\$ 130,866	\$ (130,866)	\$ 9,148,362	\$ 7,304,441
\$ -	\$ -	\$ 176,454	\$ 180,757
-	(130,866)	-	-
-	-	12,000	5,500
-	-	-	1,438
-	-	10,332	11,845
-	(130,866)	198,786	199,540
\$ -	\$ (130,866)	\$ 198,786	\$ 199,540
\$ 130,866	\$ -	\$ 3,348,032	\$ 3,193,822
-	-	(5,146)	8,876
-	-	5,560,808	3,856,321
-	-	45,882	45,882
130,866	-	8,949,576	7,104,901
\$ 130,866	\$ (130,866)	\$ 9,148,362	\$ 7,304,441

COMBINING STATEMENT OF ACTIVITIES

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

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	Junior Achievement	
	Without Donor Restrictions	With Donor Restrictions
Public Support and Revenues		
Contributions:		
Corporate	\$ 264,178	\$ 69,249
Individual	151,411	69,100
Foundations	445,288	96,163
In-kind contributions	126,740	-
Contribution from business dissolution	104,761	-
Building Futures, Inspiring Dreams Campaign	-	1,733,656
Special events, net of expense of \$298,915 and \$294,385	500,061	260,660
Loss on sale of assets	(5,548)	-
Net assets released from restrictions:		
Time restrictions	456,062	(456,062)
Building Futures, Inspiring Dreams Campaign re-classifications	104,865	(104,865)
Total Public Support and Revenues	2,147,818	1,667,901
Investment Gain (Loss)		
Investment income	81,285	32,824
Net unrealized gain (loss) on investments	(21,564)	-
Unrealized gain on revaluation of beneficial interest	29	3,762
Total Investment Gain (Loss)	59,750	36,586
Total Public Support and Revenues	2,207,568	1,704,487
Expenses		
Program services	1,592,649	-
General and administrative	187,699	-
Fundraising	234,531	-
Total Program and Support Services	2,014,879	-
Program license fee	57,522	-
Total Expenses	2,072,401	-
Change in Net Assets	135,167	1,704,487
Net Assets, beginning of year	3,076,853	3,902,203
Net Assets, end of year	\$ 3,212,020	\$ 5,606,690

Foundation Without Donor Restrictions	2019 Combined Totals	2018 Combined Totals
\$ -	\$ 333,427	\$ 281,933
-	220,511	306,529
-	541,451	504,614
-	126,740	129,704
-	104,761	-
-	1,733,656	260,083
-	760,721	507,412
-	(5,548)	-
-	-	-
-	-	-
-	3,815,719	1,990,275
-	114,109	87,721
5,021	(16,543)	(60,011)
-	3,791	5,321
5,021	101,357	33,031
5,021	3,917,076	2,023,306
-	1,592,649	1,273,572
-	187,699	146,529
-	234,531	223,785
-	2,014,879	1,643,886
-	57,522	52,487
-	2,072,401	1,696,373
5,021	1,844,675	326,933
125,845	7,104,901	6,777,968
\$ 130,866	\$ 8,949,576	\$ 7,104,901

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

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

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	Total Program Services	Junior Achievement		Totals
		General and Administrative	Fund- Raising	
Wages and salaries	\$ 866,214	\$ 105,636	\$ 84,509	\$ 1,056,359
Contract and temporary work	55,509	1,194	2,984	59,687
Payroll taxes	76,955	9,385	7,508	93,848
Employee benefits	197,766	35,496	20,284	253,546
Staff conferences and seminars	17,903	-	1,557	19,460
Audit and professional fees	15,656	3,171	991	19,818
Postage	4,335	878	274	5,487
Local travel	24,742	-	1,302	26,044
Public relations and membership Communications	4,246	-	223	4,469
	14,409	2,918	912	18,239
Equipment and software purchase, repairs and maintenance	8,313	1,683	526	10,522
Office supplies	10,351	2,096	655	13,102
Rent and storage	53,906	2,995	2,995	59,896
Program materials	155,661	-	-	155,661
Depreciation	8,262	1,673	523	10,458
Building Futures, Inspiring Dreams Campaign	-	-	104,865	104,865
Fundraising expenses	-	-	273	273
Program and general insurance	18,523	3,751	1,172	23,446
Teacher driven strategy	1,600	-	-	1,600
Interest	-	154	-	154
Banking and investment fees	9,975	1,316	411	11,702
Scholarships	12,250	-	-	12,250
Uncollectible pledges	23,369	5,438	1,699	30,506
Miscellaneous	12,704	9,915	868	23,487
	\$ 1,592,649	\$ 187,699	\$ 234,531	\$ 2,014,879

Foundation	2019		2018	
		Combined Totals		Combined Totals
\$ -	\$ 1,056,359	\$ 866,508		
-	59,687	34,347		
-	93,848	72,445		
-	253,546	214,758		
-	19,460	18,299		
-	19,818	15,378		
-	5,487	5,598		
-	26,044	20,719		
-	4,469	8,834		
-	18,239	10,880		
-	10,522	4,317		
-	13,102	10,513		
-	59,896	46,550		
-	155,661	129,633		
-	10,458	10,061		
-	104,865	117,281		
-	273	1,279		
-	23,446	17,337		
-	1,600	1,270		
-	154	538		
-	11,702	5,264		
-	12,250	(7,420)		
-	30,506	17,632		
-	23,487	21,865		
\$ -	\$ 2,014,879	\$ 1,643,886		

COMBINING STATEMENT OF CASH FLOWS

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

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	Junior	
	Achievement	Foundation
Cash Flows from Operating Activities		
Change in net assets	\$ 1,839,654	\$ 5,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,458	-
Loss on sale of assets	5,548	-
Net unrealized and realized (gain) loss on investments	21,564	(5,021)
Unrealized gain on revaluation of beneficial interest	(3,791)	-
Campaign cash collected restricted for long term purposes	(1,029,177)	-
Noncash assets acquired in business dissolution	(64,302)	-
Changes in operating assets and liabilities:		
Promises to give/other receivables	(684,498)	-
Inventory	38,970	-
Prepaid expenses	70,629	-
Accounts payable and accrued expenses	(6,791)	-
Scholarships payable	6,500	-
	<hr/>	<hr/>
Net Cash Provided by (Used for) Operating Activities	204,764	-
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Purchase of land, property and equipment	(4,867)	-
Purchase of investments	(650,952)	-
	<hr/>	<hr/>
Net Cash Used for Investing Activities	(655,819)	-
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Principal payments under capital lease obligations	(1,438)	-
Campaign cash collected restricted for long term purposes	1,029,177	-
	<hr/>	<hr/>
Net Cash Provided by Financing Activities	1,027,739	-
	<hr/>	<hr/>
Net Increase (Decrease) in Cash	576,684	-
	<hr/>	<hr/>
Cash, beginning of year	589,445	-
	<hr/>	<hr/>
Cash, end of year	<u><u>\$ 1,166,129</u></u>	<u><u>\$ -</u></u>

Note: Restricted custodial cash of \$10,332 is not included in the statement of cash flows because it is not available for general operations.

Eliminations	2019		2018	
		Combined Totals		Combined Totals
\$ -	\$	1,844,675	\$	326,933
-		10,458		10,061
-		5,548		-
-		16,543		60,011
-		(3,791)		(5,321)
-		(1,029,177)		(490,703)
-		(64,302)		-
-		(684,498)		(91,626)
-		38,970		16,960
-		70,629		(12,286)
-		(6,791)		47,568
-		6,500		(12,170)
-		204,764		(150,573)
-		(4,867)		(4,186)
-		(650,952)		(555,113)
-		(655,819)		(559,299)
-		(1,438)		(1,830)
-		1,029,177		490,703
-		1,027,739		488,873
-		576,684		(220,999)
-		589,445		810,444
\$ -	\$	1,166,129	\$	589,445

COMBINING STATEMENT OF CASH FLOWS (Continued)

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

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	<u>Junior</u> <u>Achievement</u>	<u>Foundation</u>
Schedule of Noncash Investing and Financing Activities:		
Net assets acquired in business dissolution:		
Cash	\$ 40,459	\$ -
Promises to give/other receivables	40,304	-
Inventory	14,991	-
Prepaid expenses	1,122	-
Property and equipment	2,152	-
Beneficial interest in endowment funds	8,221	-
Accounts payable and accrued expenses	(2,488)	-
	<hr/>	<hr/>
Net assets acquired	104,761	-
	<hr/>	<hr/>
Less cash acquired	(40,459)	-
	<hr/>	<hr/>
Net non cash assets aquired in business dissolution	<u>\$ 64,302</u>	<u>\$ -</u>

Eliminations	2019		2018	
		Combined Totals		Combined Totals
\$ -	\$	40,459	\$	-
-		40,304		-
-		14,991		-
-		1,122		-
-		2,152		-
-		8,221		-
-		(2,488)		-
-		104,761		-
-		(40,459)		-
\$ -	\$	64,302		

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

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 (JA USA) requires the Organization to pay a franchise fee to JA USA based on revenues earned. The Organization provides business education and experiences primarily to students in Western, Mid, Southwest, 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 of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. These donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

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

Cash and Cash Equivalents

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

Investments

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

Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). For a further discussion on Fair Value Measurement, refer to Note G of the financial statements.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor-imposed stipulations that are met in the same year as received or earned are reported as unrestricted revenue.

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.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

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

Land, Property, and Equipment

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

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

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

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

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no 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.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

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

Advertising

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

Use of Estimates

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

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 DATE, which is the date the financial statements were available to be issued.

Comparative Data

The amounts shown for the year ended June 30, 2018 in the accompanying financial statements are included to provide a basis for comparison with June 30, 2018 and present summarized totals only. Accordingly, the June 30, 2018 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

New Accounting Pronouncement

On August 16, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been retrospectively applied to all periods presented.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

Note B – Liquidity Disclosure

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization's sources of liquidity at its disposal include cash and accounts receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As of June 30, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2019</u>
Financial assets:	
Cash	\$ 1,166,129
Pledges receivable, net	3,148,682
Investments	4,124,820
Beneficial interest in endowment funds	<u>93,680</u>
Total financial assets	<u>8,533,311</u>
Less amounts not available to be used within one year:	
Beneficial interest in endowment funds	85,430
Pledges receivable due after one year, net	144,070
Pledges receivable Building Futures, Inspiring Dreams Campaign, net	2,234,552
Restricted investments	1,631,467
Restricted cash for future use	<u>1,033,361</u>
	<u>5,128,880</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 3,404,431</u></u>

Note C – Restricted Cash/Custodial Fund

Restricted cash of \$10,332 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, 2019

Note D – 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 \$130,866. 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 E – Pledges Receivable

The Organization had the following unconditional promises to give as of June 30, 2019:

Receivable in the year ending June 30, 2020	\$	1,817,982
2021		875,593
2022		238,000
2023		170,000
2024		170,000
		<hr/>
Total unconditional promises to give		3,271,575
Less: discounts to net present value at 3.5%		(83,963)
Less: allowance for uncollectible pledges		(38,930)
		<hr/>
Net unconditional promises to give	\$	<u>3,148,682</u>

Note F – Conditional Pledges

During the year ended June 30, 2019, the Organization received a pledge of \$750,000 that contained donor conditions. The cash gift of \$750,000 is contingent on the sale of a commercial property. Due to contingency, the pledge will not be recorded as contribution revenue until the donor conditions are met. As of June 30, 2019, the outstanding conditional pledge is \$750,000.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY
For the year ended June 30, 2019

Note G – Fair Value Measurement

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

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

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

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

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

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Certificates of deposit: Valued based on cost.

Common stock: Valued at the closing price reported on the active market on which the individual securities or comparable securities are traded.

Mutual funds: Valued based on quoted net asset values of the shares held by the Organization on the last business day of the year.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2019

Note G – Fair Value Measurement (Continued)

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

<u>Description</u>	Level 1	Level 2	Level 3	Fair Value June 30, 2019
Cash	\$ 585,804	\$ -	\$ -	\$ 585,804
Common stock	172,528	-	-	172,528
Mutual funds - fixed income	3,364,813	-	-	3,364,813
Certificates of deposit	1,675	-	-	1,675
Beneficial interest in perpetual endowment	-	-	93,680	93,680
	<u>\$ 4,124,820</u>	<u>\$ -</u>	<u>\$ 93,680</u>	<u>\$ 4,218,500</u>

<u>Description</u>	Level 1	Level 2	Level 3	Fair Value June 30, 2018
Cash	\$ 12,624	\$ -	\$ -	\$ 12,624
Common stock	241,379	-	-	241,379
Mutual funds - fixed income	3,234,733	-	-	3,234,733
Certificates of deposit	1,675	-	-	1,675
Beneficial interest in perpetual endowment	-	-	81,668	81,668
	<u>\$ 3,490,411</u>	<u>\$ -</u>	<u>\$ 81,668</u>	<u>\$ 3,572,079</u>

As stated in Note I, the Organization is the beneficiary under an agency endowment administered by the Muskegon Community Foundation. The Muskegon Community 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 \$35,731 as of June 30, 2019.

The Organization is also the beneficiary under an agency endowment administered by the Capital Region Community Foundation. The Capital Region Community 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 \$49,699 as of June 30, 2019.

The Organization is also the beneficiary under an agency endowment administered by the Battle Creek Community Foundation. The Battle Creek Community Foundation invests in a variety of investment types that are subject to Levels 1, 2, and 3 fair value inputs. The fair value of the beneficial interest was zero as of June 30, 2019.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the year ended June 30, 2019

Note G – Fair Value Measurement (Continued)

The Organization is also the beneficiary under an agency endowment administered by the Kalamazoo Community Foundation. The Kalamazoo Community 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 \$8,250 as of June 30, 2019.

See Note O for the reconciliation of Level 3 endowment funds recorded at fair value.

Note H– Property and Equipment

Property and equipment are summarized as follows:

	<u>Amount</u>	<u>Estimated Useful Life - Years</u>
Land - Capstone	\$ 474,193	N/A
Telephone equipment	17,395	5
Office equipment	77,166	3 to 5
Office furniture and fixtures	<u>190,083</u>	3 to 15
Total cost	758,837	
Less accumulated depreciation	<u>239,479</u>	
Net carrying amount	<u><u>\$ 519,358</u></u>	

Note I – Beneficial Interest in Perpetual Endowment Funds

The Muskegon Community 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 whose assets are being held and managed by the Foundation.

The Capital Region Community 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 whose assets are being held and managed by the Foundation.

The Battle Creek Community 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 Junior Achievement Fund whose assets are being held and managed by the Foundation.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

Note 1 – Beneficial Interest in Perpetual Endowment Funds (Continued)

The Kalamazoo Community Foundation was established with a principal purpose to receive and administer funds as endowments for various charitable and educational purpose organizations in the southwest Michigan community. The Organization established the Junior Achievement Evergreen Fund whose assets are being held and managed by the Foundation.

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

The various fund agreements, which grant variance power to the four different 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 proposes to exercise the variance power, the exercise of such power shall not be effective earlier than at least 30 days after the written notice to the Organization.

The aggregate amounts reported in the Statement of Financial Position are \$93,680 and \$81,668 at June 30, 2019 and 2018, respectively, and are described as “Beneficial interest in perpetual endowment funds.”

Donor designated endowments allow the foundations to collect and invest endowment funds provided directly by donors for the benefit of the Organization. The foundations have been granted unilateral “variance power” with respect to these agreements, and accordingly, these permanently restricted net assets are reported by the respective foundations, rather than the Organization. Under these agreements, the Organization has no right to the corpus, but can request annually the amount of expendable (distributable) income, as determined by the foundations. As of June 30, 2019, the donor designated foundations have accumulated \$395,660.

Included in donor designated amount mentioned above is The Thomas F. and Gloria J. Olin & Peter and Susan Ordway Fund for Junior Achievement which had a balance of \$373,113 as of June 30, 2019. This fund was established within the Battle Creek Community Foundation to support Junior Achievement of Southcentral Michigan or a successor Junior Achievement organization to provide current income and long-term protection for Junior Achievement.

In addition, in honor of Edward Frey, the founder of Junior Achievement in the Grand Rapids area, the Frey Foundation established an endowment fund at the Grand Rapids Community Foundation in August of 2000 to benefit Junior Achievement of the Michigan Great Lakes, Inc. The purpose of the fund is to support Junior Achievement’s mission and programming in perpetuity. The current value as of June 30, 2019 was \$452,807.

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.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the year ended June 30, 2019

Note J – Net Assets with Donor Restrictions

Donor restricted net assets are either donor restricted for specific purposes, or for use in a specified period of time. At June 30, 2019 and 2018, the restricted purposes are as follows:

	<u>2019</u>	<u>2018</u>
Time and use restrictions	\$ 5,560,808	\$ 3,856,321
Perpetual restrictions	45,882	45,882
	<u>\$ 5,606,690</u>	<u>\$ 3,902,203</u>

Note K – Lease Obligations

On August 1, 2018, the Organization entered into a lease agreement with a third party to lease office space in Battle Creek. The lease expires on August 31, 2021 with the option to renew, and requires payments of \$900 per month. Rent expense was \$9,900 for the year ended June 30, 2019.

Future minimum lease payments under this agreement are as follows for the years ended June 30:

2020	\$ 10,800
2021	10,800
2022	<u>900</u>
Total	<u>\$ 22,500</u>

The Organization leases other office spaces under various operating lease agreements, which are operating on a month-to-month basis. Monthly payments under these leases range from \$300-\$3,250. Rent expense was \$49,996 for the year ended June 30, 2019. Future lease payments are expected to be similar to current payments.

Additionally, the Organization leases equipment on a month to month basis. Total equipment expense for this equipment was \$1,372 for the year ended June 30, 2019.

On November 1, 2018, the Organization entered into a lease agreement for office equipment and servicing. The lease expires on December 1, 2023. Monthly payments required on this lease are approximately \$686 per month. Equipment expense related to this agreement was \$4,799 for the year ended June 30, 2019.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2019

Note K– Lease Obligations (Continued)

Future minimum lease payments under this agreement are as follows for the years ended June 30:

2020	\$	8,227
2021		8,227
2022		8,227
2023		8,227
2024		3,428
		<hr/>
Total	<u>\$</u>	<u>36,336</u>

Note L – Capital Lease Obligations

The Organization leased a copier under a capital lease which expired during the fiscal year. Amortization of \$1,132 was charged to depreciation for the year ended June 30, 2019. Interest expense of \$34 was charged for the year ended June 30, 2019.

Note M – Pension and Post Retirement Plan

Multiemployer Pension Plan

Prior to June 30, 2019, the Organization offered a noncontributory defined benefit pension plan (the Plan) to its employees. The Plan is administered by JA USA and covered all full-time employees of the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas in the United States. The Plan is accounted for like a multi-employer plan. Benefits were determined based on years of service and salary history. The Plan's assets are invested in various investment funds. Prior to June 30, 2019, the respective participants' employers were required to fund the Plan, as determined by JA USA's Board of Directors, based on an annual actuarial valuation. Prior to June 30, 2019, the Organization made contributions equal to 16.75% of plan participants' eligible compensation. The Organization recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization.

Effective June 30, 2019, the Board of Directors of JA USA approved the termination of the Defined Benefit Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan shall liquidate and distribute each participant's accrued benefits as soon as administratively practicable. The Plan requires that participating areas (including JA USA) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied, and are thereby required to make contributions equal to 13.25% of participants' eligible compensation.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the year ended June 30, 2019

Note M – Pension and Post Retirement Plan (Continued)

Multiemployer Pension Plan (Continued)

In connection with the termination of the Plan, the Organization obtained a loan to fund the estimated required contributions to terminate the Plan. At June 30, 2019, proceeds from the loan had been received and restricted for Plan contributions, but were not remitted to the plan until after year-end.

The Organization's pension expense for the years ended June 30, 2019 and 2018 was \$132,842 and \$118,109, respectively.

Total Plan Information

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

	<u>2019</u>	<u>2018</u>
Benefit obligations	\$ (62,262,457)	\$ (71,419,867)
Fair value of plan assets	67,171,000	65,828,128
Over (under) status	<u>\$ 4,908,543</u>	<u>\$ (5,591,739)</u>
Accumulated benefit obligation	<u>\$ 62,262,457</u>	<u>\$ 65,387,421</u>

At June 30, 2019, Plan participants' benefits were frozen with vested distributions to Plan participant's being received once the Plan officially terminates.

Significant assumptions include weighted-average assumptions used to determine benefit obligations at June 30:

	<u>2019</u>	<u>2018</u>
Discount rate	3.50%	4.00%
Rate of compensation increase	n/a	4.00%

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

	<u>2019</u>	<u>2018</u>
Discount rate	3.50%	4.00%
Expected return on plan assets	0.00%	6.25%
Rate of compensation increase	n/a	4.00%

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

Note M – Pension and Post Retirement Plan (Continued)

Total Plan Information (Continued)

At June 30, 2019, no further investment returns were expected as plan assets are pending liquidation and distribution to plan participants. At June 30, 2018, 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.

Plan assets are held by Reliance Trust Company 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.

At June 30, 2019 and 2018, Plan assets by category were as follows:

	2019	2018
Equity mutual funds	0.00%	54.20%
Fixed income mutual funds	98.60%	39.10%
Real estate security mutual funds	0.00%	5.30%
Cash	1.40%	1.40%
	<u>100.00%</u>	<u>100.00%</u>

Information on Organizations Participating in the Plan

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

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

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2019

Note M – Pension and Post Retirement Plan (Continued)

Total Plan Information (Continued)

The Organization’s participation in this plan for the annual period ended June 30, 2019 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 2019 and 2018 is for years ended June 30, 2019 and 2018, respectively. There have been no significant changes that affect the comparability of the 2019 and 2018 contributions.

Pension Fund	EIN/Pension Plan Number	Funded Status		Contributions by Organization	
		2019	2018	2019	2018
Retirement Plan for Employees of Junior Achievement USA	13-1635270 PN 333	108.00%	92.00%	\$ 132,842	\$ 118,809
Total Contributions				\$ 132,842	\$ 118,809

The Organization was listed in its Plan’s Form 5500 as providing more than 5 percent of the total contributions for the June 30, 2019 and 2018 plan years.

Note N – 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, JA 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.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2019

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

Health and Welfare Benefits Trust (Continued)

The following represents summarized financial information pertaining to the Benefits Trust as of and for the years ended June 30, 2019 and 2018:

	2019	2018
Assets	\$ 6,895,937	\$ 6,951,750
Liabilities	352,778	691,661
Net Assets	<u>\$ 6,543,159</u>	<u>\$ 6,260,089</u>
Additions to net assets	\$ 8,257,549	\$ 7,593,596
Deductions from net assets	7,974,479	8,323,989
Change in Net Assets	283,070	(730,393)
Net Assets, Beginning of Year	<u>6,260,089</u>	<u>6,990,482</u>
Net Assets, End of Year	<u>\$ 6,543,159</u>	<u>\$ 6,260,089</u>

In addition to the summarized financial information presented above, the Benefits Trust also reports in the notes to the April 30, 2019 and 2018 audited financial statements, claims payable of \$258,319 and \$207,689 respectively, and claims incurred but not reported of \$570,361 and \$445,073, 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, 2019

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

Total Postretirement Benefits Plan Information

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

	<u>2019</u>	<u>2018</u>
Benefit obligation	\$ 7,467,134	\$ 7,311,595
Fair value of Plan assets	-	-
Underfunded status	<u>\$ (7,467,134)</u>	<u>\$ (7,311,595)</u>
Accumulated benefit obligation	<u>\$ (7,467,134)</u>	<u>\$ (7,311,595)</u>

Weighted-average assumptions used to determine benefit obligations at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Discount rate	3.50%	4.00%
Rate of compensation increase	3.00%	4.00%

Weighted-average assumptions used to determine benefit costs at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Discount rate	4.00%	3.50%
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, 2019:

2020	\$ 271,673
2021	302,329
2022	334,162
2023	343,356
2024	311,983
2025-2029	1,924,121

The Organization's premium expense for the Postretirement Benefits Plan for the years ended June 30, 2019 and 2018 was \$120,704 and \$95,948, respectively.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2019

Note O— 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Muskegon Community Foundation Perpetual Endowment Fund	\$ -	\$ 35,730	\$ 35,730
Capital Region Community Foundation Perpetual Endowment Fund	-	49,700	49,700
Kalamazoo Community Foundation Perpetual Endowment Fund	8,250	-	8,250
	<u>\$ 8,250</u>	<u>\$ 85,430</u>	<u>\$ 93,680</u>

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

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2019

Note O— Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	<u>Without Donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Beneficial Interest in Perpetual Endowment Fund July 1, 2018	\$ -	\$ 81,668	\$ 81,668
Contribution from business dissolution	8,221	-	8,221
Investment income	266	2,496	2,762
Unrealized/realized gain/(loss) on investments	(177)	1,875	1,698
Investment fees	(60)	(609)	(669)
Unrealized gain on revaluation of beneficial interest	8,250	3,762	12,012
Beneficial Interest in Perpetual Endowment Fund June 30, 2019	<u>\$ 8,250</u>	<u>\$ 85,430</u>	<u>\$ 93,680</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Organization to retain. No such deficiencies existed that resulted in the invasion of the principal as of June 30, 2019.

NOTES TO COMBINING FINANCIAL STATEMENTS

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

For the year ended June 30, 2019

Note P– Assignment of Additional Territory

On July 1, 2018, the Organization acquired the net assets of the Junior Achievement of Southwest Michigan, Inc. through an assignment of an additional territory. As of July 1, 2018, JA USA reassigned the territory served by Junior Achievement of Southwest Michigan, Inc. to Junior Achievement of Michigan Great Lakes, Inc. upon its dissolution. The amounts recognized as of July 1, 2018 involved combining the June 30, 2018 fair market value balances of Junior Achievement of Southwest Michigan, Inc. to determine the merged assets, liabilities, and classes of net assets. There was no cash consideration given and the fair market value of the assets recorded in the statement of financial position as of July 1, 2018 is shown in the schedule below. A contribution of \$104,761 was recorded in statement of activities for the year ended June 30, 2019.

	Junior Achievement of Southwest Michigan, Inc. Unaudited	
Assets		
Cash	\$	40,459
Pledges receivable, net		40,304
Inventory		14,991
Prepaid expenses		1,122
Property and equipment		2,152
Beneficial interest in assets held by foundations		8,221
Liabilities		
Accounts payable and accrued expenses		(2,488)
Unrestricted net assets	\$	<u>104,761</u>

Note Q– Subsequent Event

As more fully described in Note M, effective June 30, 2019, the Board of Directors of JA USA approved the termination of the Defined Benefit Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan shall liquidate and distribute each participant's accrued benefits as soon as administratively practicable. The Plan requires that participating areas (including the Organization) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied, and are thereby required to make contributions equal to 13.25% of participants' eligible compensation.