

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

COMBINING FINANCIAL STATEMENTS

For the years ended
June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

December 17, 2020

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 statements of financial position as of June 30, 2020 and 2019, and the related combining statements of activities, functional expenses, 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 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 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 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hungerford Nichols

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, 2020

	Junior Achievement	
	Without Donor Restrictions	With Donor Restrictions
ASSETS		
Cash	\$ 1,129,807	\$ 759,140
Investments, at fair value	1,625,719	-
Promises to give, current portion	75,388	1,558,328
Inventory	44,499	-
Land held for sale	474,193	-
Prepaid expenses	35,272	-
Total Current Assets	3,384,878	2,317,468
Promises to give, net of allowance of \$48,657	-	39,501
Promises to give - Building Futures, Inspiring Dreams, net	-	2,200,486
Restricted investments - Building Futures, Inspiring Dreams	-	301,324
Due from affiliate	-	-
Land, property and equipment - net	3,629,458	-
Beneficial interest in perpetual endowment funds	8,096	86,614
Total Long Term Assets	3,637,554	2,627,925
Total Assets	\$ 7,022,432	\$ 4,945,393
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 63,481	\$ -
Due to affiliate	134,676	-
Scholarships payable	8,250	-
Deferred revenue	262,196	-
Total Current Liabilities	468,603	-
Long Term Debt	12,404	-
Total Liabilities	\$ 481,007	\$ -
Net Assets		
Without donor restrictions:		
Undesignated	\$ 6,555,180	\$ -
Board designated Northern Service Office assets	(13,755)	-
With donor restrictions:		
Time-restricted for future periods	-	4,899,511
Perpetual in nature	-	45,882
Total Net Assets	6,541,425	4,945,393
Total Liabilities and Net Assets	\$ 7,022,432	\$ 4,945,393

<u>Foundation</u> <u>Without Donor</u> <u>Restrictions</u>	<u>Eliminations</u>	<u>2020</u> <u>Combined Totals</u>
\$ -	\$ -	\$ 1,888,947
-	-	1,625,719
-	-	1,633,716
-	-	44,499
-	-	474,193
-	-	35,272
-	-	5,702,346
-	-	39,501
-	-	2,200,486
-	-	301,324
134,676	(134,676)	-
-	-	3,629,458
-	-	94,710
134,676	(134,676)	6,265,479
\$ 134,676	\$ (134,676)	\$ 11,967,825
\$ -	\$ -	\$ 63,481
-	(134,676)	-
-	-	8,250
-	-	262,196
-	(134,676)	333,927
-	-	12,404
\$ -	\$ (134,676)	\$ 346,331
\$ 134,676	\$ -	\$ 6,689,856
-	-	(13,755)
-	-	4,899,511
-	-	45,882
134,676	-	11,621,494
\$ 134,676	\$ (134,676)	\$ 11,967,825

COMBINING STATEMENT OF FINANCIAL POSITION

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

June 30, 2019

	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	-	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	-
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>Totals</u>
\$ -	\$ -	\$ 1,166,129
-	-	10,332
-	-	2,493,353
-	-	1,817,982
-	-	80,720
-	-	4,641
-	-	5,573,157
-	-	144,070
-	-	1,186,630
-	-	1,631,467
130,866	(130,866)	-
-	-	519,358
-	-	93,680
130,866	(130,866)	3,575,205
\$ 130,866	\$ (130,866)	\$ 9,148,362
\$ -	\$ -	\$ 176,454
-	(130,866)	-
-	-	12,000
-	-	10,332
-	(130,866)	198,786
\$ -	\$ (130,866)	\$ 198,786
\$ 130,866	\$ -	\$ 3,348,032
-	-	(5,146)
-	-	5,560,808
-	-	45,882
130,866	-	8,949,576
\$ 130,866	\$ (130,866)	\$ 9,148,362

COMBINING STATEMENT OF ACTIVITIES

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

For the year ended June 30, 2020

	Junior Achievement	
	Without Donor Restrictions	With Donor Restrictions
Public Support and Revenues		
Contributions:		
Corporate	\$ 229,242	\$ 18,359
Individual	154,562	32,520
Foundations	397,475	15,506
In-kind contributions	86,884	-
Building Futures, Inspiring Dreams Campaign	-	3,180,571
Special events, net of expense of \$163,931	322,421	248,210
Rental income	75,945	-
Net assets released from restrictions:		
Time restrictions	449,172	(449,172)
Building Futures, Inspiring Dreams Campaign re-classifications	3,634,680	(3,634,680)
Total Public Support and Revenues	5,350,381	(588,686)
Investment Gain (Loss)		
Investment income	70,050	24,909
Net unrealized gain (loss) on investments	(17,029)	(98,705)
Unrealized gain (loss) on revaluation of beneficial interest	(154)	1,185
Total Investment Gain (Loss)	52,867	(72,611)
Total Public Support and Revenues	5,403,248	(661,297)
Expenses		
Program services	1,719,993	-
General and administrative	194,488	-
Fundraising	159,361	-
Total Expenses	2,073,843	-
Change in Net Assets	3,329,405	(661,297)
Net Assets, beginning of year	3,212,020	5,606,690
Net Assets, end of year	\$ 6,541,425	\$ 4,945,393

Foundation Without Donor Restrictions	2020 Combined Totals
\$ -	\$ 247,601
-	187,082
-	412,981
-	86,884
-	3,180,571
-	570,631
-	75,945
-	-
-	-
-	4,761,695
-	94,959
3,810	(111,924)
-	1,031
3,810	(15,934)
3,810	4,745,761
-	1,719,993
-	194,488
-	159,361
-	2,073,843
3,810	2,671,918
130,866	8,949,576
\$ 134,676	\$ 11,621,494

COMBINING STATEMENT OF ACTIVITIES

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

For the year ended June 30, 2019

	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	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	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

<u>Foundation</u>		
<u>Without Donor</u>		
<u>Restrictions</u>		<u>Totals</u>
\$ -	\$	333,427
-		220,511
-		541,451
-		126,740
-		104,761
-		1,733,656
-		760,721
-		(5,548)
-		-
-		-
-		3,815,719
-		114,109
5,021		(16,543)
-		3,791
5,021		101,357
5,021		3,917,076
-		1,592,649
-		187,699
-		234,531
-		2,014,879
-		57,522
-		2,072,401
5,021		1,844,675
125,845		7,104,901
\$ 130,866	\$	8,949,576

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

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

For the year ended June 30, 2020

	Total Program Services	General and Administrative	Fund- Raising	Totals
Wages and salaries	\$ 927,143	\$ 113,067	\$ 90,454	\$ 1,130,664
Contract and temporary work	45,206	973	2,430	48,609
Payroll taxes	74,522	9,088	7,270	90,881
Employee benefits	255,153	45,797	26,170	327,120
Staff conferences and seminars	10,767	-	937	11,704
Audit and professional fees	12,878	2,608	815	16,301
Postage	3,824	774	242	4,840
Local travel	19,413	-	1,022	20,435
Public relations and membership Communications	3,505	-	185	3,690
	13,619	2,553	851	17,023
Equipment and software purchase, repairs and maintenance	9,635	1,806	602	12,043
Office supplies	6,467	1,310	409	8,186
Rent and storage	52,920	2,940	2,940	58,800
Program materials	193,774	-	-	193,774
Depreciation	23,939	4,848	1,515	30,302
Building Futures, Inspiring Dreams Campaign	-	-	20,791	20,791
Program and general insurance	23,267	386	121	23,774
Teacher driven strategy	1,570	-	-	1,570
Interest	-	386	-	386
Banking and investment fees	4,638	1,012	294	5,944
Scholarships	741	-	-	741
Uncollectible pledges	22,614	4,240	1,413	28,267
Miscellaneous	14,398	2,700	900	17,998
	\$ 1,719,993	\$ 194,488	\$159,361	\$ 2,073,843

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

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

	Total Program Services	General and Administrative	Fund- Raising	Totals
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

COMBINING STATEMENT OF CASH FLOWS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the year ended June 30, 2020

	Junior Achievement	Foundation
Cash Flows from Operating Activities		
Change in net assets	\$ 2,668,108	\$ 3,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,302	-
Net unrealized and realized (gain) loss on investments	115,734	(3,810)
Unrealized gain on revaluation of beneficial interest	(1,031)	-
Campaign cash collected restricted for long term purposes	(1,997,513)	-
Changes in operating assets and liabilities:		
Promises to give/other receivables	(725,021)	-
Inventory	36,221	-
Prepaid expenses	(30,631)	-
Accounts payable and accrued expenses	(112,973)	-
Scholarships payable	(3,750)	-
Deferred revenue	262,196	-
	241,642	-
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchase of land, property and equipment	(3,614,594)	-
Purchases of investments	(95,238)	-
Sales of investments	2,181,091	-
	(1,528,741)	-
Net Cash Used for Investing Activities		
Cash Flows from Financing Activities		
Proceeds from PPP loan	12,404	-
Campaign cash collected restricted for long term purposes	1,997,513	-
	2,009,917	-
Net Cash Provided by Financing Activities		
Net Increase in Cash	722,818	-
Cash, beginning of year	1,166,129	-
Cash, end of year	\$ 1,888,947	\$ -

Eliminations	2020 Combined Totals
\$ -	\$ 2,671,918
-	30,302
-	111,924
-	(1,031)
-	(1,997,513)
-	(725,021)
-	36,221
-	(30,631)
-	(112,973)
-	(3,750)
-	262,196
-	241,642
-	(3,614,594)
-	(95,238)
-	2,181,091
-	(1,528,741)
-	12,404
-	1,997,513
-	2,009,917
-	722,818
-	1,166,129
\$ -	\$ 1,888,947

COMBINING STATEMENT OF CASH FLOWS

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

	Junior		Foundation
	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		-
Net Cash Provided by Operating Activities	204,764		-
Cash Flows from Investing Activities			
Purchase of land, property and equipment	(4,867)		-
Purchase of investments	(650,952)		-
Net Cash Used for Investing Activities	(655,819)		-
Cash Flows from Financing Activities			
Principal payments under capital lease obligations	(1,438)		-
Campaign cash collected restricted for long term purposes	1,029,177		-
Net Cash Provided by Financing Activities	1,027,739		-
Net Increase in Cash	576,684		-
Cash, beginning of year	589,445		-
Cash, end of year	\$ 1,166,129	\$	-

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

<u>Eliminations</u>	<u>Totals</u>
\$ -	\$ 1,844,675
-	10,458
-	5,548
-	16,543
-	(3,791)
-	(1,029,177)
-	(64,302)
-	(684,498)
-	38,970
-	70,629
-	(6,791)
-	6,500
-	<u>204,764</u>
-	(4,867)
-	<u>(650,952)</u>
-	<u>(655,819)</u>
-	(1,438)
-	<u>1,029,177</u>
-	1,027,739
-	576,684
-	589,445
<u>\$ -</u>	<u>\$ 1,166,129</u>

COMBINING STATEMENT OF CASH FLOWS (Continued)

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

	<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 acquired in business dissolution	<u>\$ 64,302</u>	<u>\$ -</u>

<u>Eliminations</u>	<u>Totals</u>
\$ -	\$ 40,459
-	40,304
-	14,991
-	1,122
-	2,152
-	8,221
-	<u>(2,488)</u>
-	<u>104,761</u>
-	<u>(40,459)</u>
<u>\$ -</u>	<u>\$ 64,302</u>

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the years ended June 30, 2020 and 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 program license 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 years ended June 30, 2020 and 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 equity and 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.

Inventory

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

Land, Property, and Equipment

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

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.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY
For the years ended June 30, 2020 and 2019

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

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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.

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.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY
For the years ended June 30, 2020 and 2019

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

Income Tax Status

The Organization and Foundation are not-for-profit organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization and Foundation evaluate tax positions taken on their 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 and Foundation have no unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization and Foundation's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Advertising

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

Use of Estimates

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

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 December 17, 2020, which is the date the financial statements were available to be issued.

New Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958-605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Adoption of the new standard did not affect the financial statements, but certain additional disclosures were added.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the years ended June 30, 2020 and 2019

Note B – Liquidity and Availability

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 promises to give.

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, 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 1,888,947	\$ 1,166,129
Promises to give, net	3,873,703	3,148,683
Investments	1,927,043	4,124,820
Beneficial interest in endowment funds	94,710	93,680
	<u>7,784,403</u>	<u>8,533,312</u>
Total financial assets		
	7,784,403	8,533,312
Less amounts not available to be used within one year:		
Beneficial interest in endowment funds	94,710	85,431
Promises to give due after one year, net	39,501	144,070
Promises to give: Building Futures, Inspiring Dreams Campaign, net	2,200,486	2,234,552
Restricted investments	301,324	1,631,467
Restricted cash for future use	759,140	1,033,361
	<u>3,395,161</u>	<u>5,128,881</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,389,242</u>	<u>\$ 3,404,431</u>

Note C – Restricted Cash/Custodial Fund

During the year ended June 30, 2019, restricted cash represented 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 had no authority over these funds and, accordingly, transactions from the accounts were not included in the statement of activities. A corresponding liability was shown as a custodial fund. Restricted cash totaled \$10,332 as of June 30, 2019.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the years ended June 30, 2020 and 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 \$134,676 and \$130,866 at June 30, 2020 and 2019, respectively. 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 – Promises to Give

The Organization had the following unconditional promises to give as of June 30, 2020:

Receivable in the year ending June 30, 2021	\$ 1,633,716
2022	956,418
2023	735,334
2024	481,500
2025	256,940
Thereafter	<u>25,000</u>
Total unconditional promises to give	4,088,908
Less: discounts to net present value at 3.5%	(166,548)
Less: allowance for uncollectible promises to give	<u>(48,657)</u>
Net unconditional promises to give	<u>\$ 3,873,703</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 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. During the year ended June 30, 2020, a portion of the pledge was paid in cash leaving an outstanding conditional pledge balance of \$648,490.

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.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the years ended June 30, 2020 and 2019

Note G – Fair Value Measurement (Continued)

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, 2020 and 2019.

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.

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

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value June 30, 2020</u>
Cash	\$ 39	\$ -	\$ -	\$ 39
Common stock	184,007	-	-	184,007
Mutual funds - fixed income	1,741,322	-	-	1,741,322
Certificates of deposit	1,675	-	-	1,675
Beneficial interest in perpetual endowment	-	-	94,710	94,710
	<u>\$ 1,927,043</u>	<u>\$ -</u>	<u>\$ 94,710</u>	<u>\$ 2,021,753</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value June 30, 2019</u>
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>

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the years ended June 30, 2020 and 2019

Note G – Fair Value Measurement (Continued)

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 \$36,805 and \$35,731 as of June 30, 2020 and 2019, respectively.

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 \$49,809 and \$49,699 as of June 30, 2020 and 2019, respectively.

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 \$8,096 and \$8,250 as of June 30, 2020 and 2019, respectively.

See Note Q 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>2020</u>	<u>2019</u>	<u>Estimated Useful Life - Years</u>
Land - Capstone	\$ -	\$ 474,193	N/A
Building	3,614,593	-	39
Telephone equipment	17,395	17,395	5
Office equipment	77,166	77,166	3 to 5
Office furniture and fixtures	190,083	190,083	3 to 15
	<u>3,899,237</u>	<u>758,837</u>	
Total cost	3,899,237	758,837	
Less accumulated depreciation	<u>269,779</u>	<u>239,479</u>	
	<u>\$ 3,629,458</u>	<u>\$ 519,358</u>	

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the years ended June 30, 2020 and 2019

Note I – Deferred Revenue

On April 23, 2020, the Organization received loan proceeds in the amount of \$274,600 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and provides for loans to qualifying businesses for amounts up to 2.5 times the average amount of qualified payroll expenses. The loans are forgivable after 8 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and the borrower maintains their employment levels. The Organization applied for forgiveness in October 2020 and expects all but \$12,404 to be fully forgiven as the remaining proceeds were spent for purposes consistent with the PPP requirements.

Note J – Long Term Debt

As described in Note I, the Organization expects approximately \$12,404 of the original PPP loan proceeds that were received to be paid back. Original terms of this note allow for an eighteen month pay-back period with a one percent interest rate. All interest is expected to be immaterial.

Note K – 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.

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.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the years ended June 30, 2020 and 2019

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

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 \$94,710 and \$93,680 at June 30, 2020 and 2019, 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. The donor designated foundations have accumulated \$381,754 and \$395,660 as of June 30, 2020 and 2019, respectively.

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 \$ 359,911 and \$373,113 as of June 30, 2020 and 2019, respectively. 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 is \$451,980 and \$452,807 as of June 30, 2020 and 2019, respectively. The Edward Frey endowment fund is not included in the accompanying financial statements since the funds are not under the control of the Organization. Distributions received from the endowment funds are recorded as contribution income when received.

Note L – 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, 2020 and 2019, the restricted purposes are as follows:

	2020	2019
Time and use restrictions	\$ 4,899,511	\$ 5,560,808
Perpetual restrictions	45,882	45,882
	<u>\$ 4,945,393</u>	<u>\$ 5,606,690</u>

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the years ended June 30, 2020 and 2019

Note M – 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 \$10,800 for the years ended June 30, 2020 and 2019.

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

2021	\$	10,800
2022		900
		<hr/>
Total	\$	<u>11,700</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 \$48,000 and \$49,996 for the years ended June 30, 2020 and 2019, respectively. 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 \$1,416 and \$1,372 for the years ended June 30, 2020 and 2019, respectively.

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 \$8,645 and \$4,799 for the years ended June 30, 2020 and 2019 , respectively.

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

2021	\$	8,227
2022		8,227
2023		8,227
2024		3,428
		<hr/>
Total	\$	<u>28,109</u>

Note N – Capital Lease Obligations

The Organization leased a copier under a capital lease which expired during the year ended June 30, 2019. 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.

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNIOR ACHIEVEMENT OF THE MICHIGAN GREAT LAKES, INC. AND RELATED ENTITY For the years ended June 30, 2020 and 2019

Note O – 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 was 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. Benefits were determined based on years of service and salary history. Plan's assets were invested in a variety of investment funds until 2019, when a substantial portion of the portfolio was placed into fixed income mutual funds, and 2020, when Plan assets were converted to cash and cash equivalents. Prior to June 30, 2019, in accordance with the plan documents, the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas made contributions to the plan equal to 16.75% of participants' eligible compensation. The Organization recognizes, as net pension cost, the required contribution for the period and recognizes, as a liability, any contributions due and unpaid. There is no recognition of the funded status of the Plan in the financial statements of the Organization.

Effective June 30, 2019, the Board of Directors of JA USA approved the termination of the Plan, at which time all participants who were active in the plan became fully vested for their respective accrued benefits. The Plan required that participating employers (including JA USA) remain liable for any funding obligations under the Plan, until all liabilities and obligations of the Plan have been satisfied. As a result, during 2020, in accordance with the plan documents, the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas continued to make contributions equal to 13.25% of participants' eligible compensation.

During 2020, Plan participants elected the mode of their distribution (whether lump sum or annuity) and the Plan liquidated and distributed benefit payments accordingly. The Plan engaged an insurance company to assume the annuity portfolio, and as of June 30, 2020, substantially all benefit obligations of the Plan had either been paid (lump sum elections) or transferred (annuity elections). The remaining assets in the Plan, as detailed below, are restricted for additional, future termination and other required administrative expenses. Upon the conclusion of any necessary administrative proceedings and the final review by the Pension Benefit Guarantee Corporation (PBGC), any remaining Plan assets will be distributed to participating employers on a pro-rata basis. The timing and results of these administrative proceedings and PBGC's final review are uncertain, and as a result, the Organization cannot reasonably estimate, and thus has not recorded, any pro-rata amounts receivable from the Plan at June 30, 2020.

To facilitate the termination of the Plan, JA USA obtained a \$12,000,000 revolving credit agreement. Under the plan of termination any amounts borrowed under the line would be used to pre-fund the plan on behalf of the Organization, JA Worldwide, Inc. and participating Junior Achievement Areas. As a result, JA USA has recorded a receivable for funds advanced to the Plan and expenses paid directly by JA USA on behalf of the other participating employers. The receivable is expected to be collected from the Plan rather than from participating employers, given the over funded status of the Plan, described below.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the years ended June 30, 2020 and 2019

Note O – Pension and Post Retirement Plan (Continued)

During the years ended June 30, 2020 and 2019, the Organization contributed approximately \$119,543 and \$132,842, respectively to the plan. The Organization was listed in its plan's Form 5500 as providing more than 5% of the total contributions for the June 30, 2020 and 2019 plan years.

To coincide with the termination of the Plan, the Organization implemented a Defined Contribution 401(k) plan for eligible employees on July 1, 2019. Total employer contributions to the 401(k) plan were \$78,218 for the year ended June 30, 2020.

Total Plan Information

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

	<u>2020</u>	<u>2019</u>
Benefit obligations	\$ -	\$ (62,262,457)
Fair value of plan assets	5,479,154	67,171,000
Over (under) status	<u>\$ 5,479,154</u>	<u>\$ 4,908,543</u>
Accumulated benefit obligation	<u>\$ -</u>	<u>\$ 62,262,457</u>

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

Significant assumptions include weighted-average assumptions used to determine benefit obligations at June 30, 2019:

Discount rate	3.50%
Rate of compensation increase	n/a

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

Discount rate	3.50%
Expected return on plan assets	0.00%
Rate of compensation increase	n/a

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the years ended June 30, 2020 and 2019

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

Health and Welfare Benefits Trust

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

The following represents summarized financial information pertaining to the Benefits Trust as of and for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assets	\$ 7,396,305	\$ 6,895,937
Liabilities	423,603	352,778
Net Assets	<u>\$ 6,972,702</u>	<u>\$ 6,543,159</u>
Additions to net assets	\$ 9,423,270	\$ 8,257,549
Deductions from net assets	8,993,727	7,974,479
Change in Net Assets	429,543	283,070
Net Assets, Beginning of Year	<u>6,543,159</u>	<u>6,260,089</u>
Net Assets, End of Year	<u>\$ 6,972,702</u>	<u>\$ 6,543,159</u>

In addition to the summarized financial information presented above, the Benefits Trust also reports in the notes to the April 30, 2020 and 2019 audited financial statements, claims payable of \$238,990 and \$258,319, respectively, and claims incurred but not reported of \$567,531 and \$570,361, 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 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 multi-employer 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 years ended June 30, 2020 and 2019

Note P – 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>2020</u>	<u>2019</u>
Benefit obligation	\$ 8,542,169	\$ 7,467,134
Fair value of Plan assets	-	-
Underfunded status	<u>\$ (8,542,169)</u>	<u>\$ (7,467,134)</u>
Accumulated benefit obligation	<u>\$ (8,542,169)</u>	<u>\$ (7,467,134)</u>

Weighted-average assumptions used to determine benefit obligations at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Discount rate	2.75%	3.50%
Rate of compensation increase	2.50%	3.00%

Weighted-average assumptions used to determine benefit costs at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Discount rate	3.50%	4.00%
Rate of compensation increase	3.00%	4.00%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2020:

2021	\$ 291,506
2022	319,253
2023	334,552
2024	314,778
2025	318,381
2026-2030	2,019,935

The Organization's premium expense for the Postretirement Benefits Plan for the years ended June 30, 2020 and 2019 was \$129,359 and \$120,704 respectively.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
For the years ended June 30, 2020 and 2019

Note Q – 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Muskegon Community Foundation Perpetual Endowment Fund	\$ -	\$ 36,805	\$ 36,805
Capital Region Community Foundation Perpetual Endowment Fund	-	49,809	49,809
Kalamazoo Community Foundation Perpetual Endowment Fund	8,096	-	8,096
	<u>\$ 8,096</u>	<u>\$ 86,614</u>	<u>\$ 94,710</u>

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 perpetually restricted net assets (a) the original value of gifts to the permanent endowment and (b) the original value of subsequent gifts to the perpetual endowment. The remaining portion of the donor restricted endowment fund that is not classified as perpetually restricted net assets is classified as net assets with donor restrictions – time restricted for future periods 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 years ended June 30, 2020 and 2019

Note Q – Endowment Net Assets (Continued)

Changes in endowment net assets for the year ended June 30, 2020 and 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	\$ 8,250	\$ 85,430	\$ 93,680
Investment income	-	2,449	2,449
Unrealized/realized loss on investments	(92)	(530)	(622)
Investment fees	(62)	(735)	(797)
Unrealized gain/(loss) on revaluation of beneficial interest	(154)	1,184	1,030
Beneficial Interest in Perpetual Endowment Fund June 30, 2020	<u>\$ 8,096</u>	<u>\$ 86,614</u>	<u>\$ 94,710</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, 2020.

NOTES TO COMBINING FINANCIAL STATEMENTS

**JUNIOR ACHIEVEMENT OF THE MICHIGAN
GREAT LAKES, INC. AND RELATED ENTITY**
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Note R – 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 S – Risks and Uncertainties

As a result of the spread of the global COVID-19 pandemic, economic uncertainties have arisen globally that could have an impact on the operating results of the Organization. The Organization can neither predict the duration of the pandemic nor the financial impact to its operations, however, is proactively taking actions to mitigate the impact to its financial results.