

**JUNIOR ACHIEVEMENT OF
SOUTHEASTERN MICHIGAN, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Junior Achievement of Southeastern Michigan, Inc.
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Achievement of Southeastern Michigan, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related 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 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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Southeastern Michigan, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Manes Costeiran PC

September 20, 2019

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 920,724	\$ 700,937
Current Investments	-	-
Pledges Receivable - net of allowance for uncollectable pledges in the amount of \$31,000 for 2019 and \$1,000 for 2018	349,420	344,747
Prepaid Assets	13,207	17,625
Total Current Assets	1,283,351	1,063,309
Long Term Assets		
Investments	271,632	257,737
Long-term Pledges - Temporarily Restricted - net	125,000	296,000
Fixed Assets - net	1,995,675	2,086,518
Total Long Term Assets	2,392,307	2,640,255
Total Assets	\$ 3,675,658	\$ 3,703,564
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 52,882	\$ 98,614
	52,096	42,194
Total Current Liabilities	104,978	140,808
Net Assets		
Net Assets without Donor Restrictions	2,869,130	2,858,368
Board Designated Net Assets	-	-
Total Net Assets without Donor Restrictions	2,869,130	2,858,368
Net Assets with Donor Restrictions	701,550	704,388
Total Net Assets	3,570,680	3,562,756
Total Liabilities and Net Assets	\$ 3,675,658	\$ 3,703,564

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total 2019	Total 2018
	Operating	Board Designated	Total			
Public Support and Revenues						
Contributions						
Corporate	\$ 983,990	\$ -	\$ 983,990	\$ 100,000	\$ 1,083,990	\$ 779,584
Individual	81,037	-	81,037	-	81,037	111,683
Foundations	88,261	-	88,261	17,875	106,136	245,746
Total Contributions	1,153,288	-	1,153,288	117,875	1,271,163	1,137,013
Special Events Gross	620,241	-	620,241	-	620,241	564,391
Less Special Event Expenses	141,567	-	141,567	-	141,567	187,412
Special Events Net	478,674	-	478,674	-	478,674	376,979
Governmental Revenue	10,000	-	10,000	-	10,000	10,000
Investment Return, Net	787	-	787	6,143	6,930	5,865
Unrealized Gains or Loss on Investments	-	-	-	7,750	7,750	15,210
In-Kind Contributions	134,359	-	134,359	-	134,359	194,983
Other Income	46,359	-	46,359	-	46,359	45,605
Net Assets Released						
Purpose Restrictions	134,606	-	134,606	(134,606)	-	-
Total Public Support and Revenues	1,958,073	-	1,958,073	(2,838)	1,955,235	1,785,655
Expenses						
Program Expense						
Traditional Programs	1,220,347	-	1,220,347	-	1,220,347	1,001,142
Finance Park	484,583	-	484,583	-	484,583	485,283
Total Program Expense	1,704,930	-	1,704,930	-	1,704,930	1,486,425
Supporting Services						
Management	31,876	-	31,876	-	31,876	34,233
Fundraising	210,505	-	210,505	-	210,505	224,482
Total Supporting Services	242,381	-	242,381	-	242,381	258,715
Total Expenses	1,947,311	-	1,947,311	-	1,947,311	1,745,140
Change in Net Assets	10,762	-	10,762	(2,838)	7,924	40,515
Net Assets, Beginning of Year	2,858,368	-	2,858,368	704,388	3,562,756	3,522,241
Net Assets, End of Year	\$ 2,869,130	\$ -	\$ 2,869,130	\$ 701,550	\$ 3,570,680	\$ 3,562,756

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Net Assets Without Donor Restrictions			Net Assets With Donor Restrictions	Total 2018	Total 2017
	Operating	Board Designated	Total			
Public Support and Revenues						
Contributions						
Corporate	\$ 733,584	\$ -	\$ 733,584	\$ 46,000	\$ 779,584	\$ 971,353
Individual	111,683	-	111,683	-	111,683	100,397
Foundations	245,746	-	245,746	-	245,746	103,790
Total Contributions	1,091,013	-	1,091,013	46,000	1,137,013	1,175,540
Special Events Gross	564,391	-	564,391	-	564,391	215,668
Less Special Event Expenses	187,412	-	187,412	-	187,412	38,404
Special Events Net	376,979	-	376,979	-	376,979	177,264
Governmental Revenue	10,000	-	10,000	-	10,000	10,000
Investment Return, Net	529	-	529	5,336	5,865	3,687
Unrealized Gains or Loss on Investments	-	-	-	15,210	15,210	27,578
In-Kind Contributions	194,983	-	194,983	-	194,983	93,755
Other Income	45,605	-	45,605	-	45,605	68,375
Net Assets Released						
Purpose Restrictions	155,000	-	155,000	(155,000)	-	-
Total Public Support and Revenues	1,874,109	-	1,874,109	(88,454)	1,785,655	1,556,199
Expenses						
Program Expense						
Traditional Programs	1,001,142	-	1,001,142	-	1,001,142	798,015
Finance Park	485,283	-	485,283	-	485,283	478,531
Total Program Expense	1,486,425	-	1,486,425	-	1,486,425	1,276,546
Supporting Services						
Management	34,233	-	34,233	-	34,233	22,683
Fundraising	224,482	-	224,482	-	224,482	208,026
Total Supporting Services	258,715	-	258,715	-	258,715	230,709
Total Expenses	1,745,140	-	1,745,140	-	1,745,140	1,507,255
Change in Net Assets	128,969	-	128,969	(88,454)	40,515	48,944
Net Assets, Beginning of Year	2,729,399	-	2,729,399	792,842	3,522,241	3,473,297
Net Assets, End of Year	\$ 2,858,368	\$ -	\$ 2,858,368	\$ 704,388	\$ 3,562,756	\$ 3,522,241

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES			SUPPORTING SERVICES			Grand Total
	Traditional Programs	Finance Park	Total	Management	Fundraising	Total	
Salaries	\$ 545,586	\$ 190,408	\$ 735,994	\$ 19,806	\$ 127,236	\$ 147,042	\$ 883,036
Employee benefits, payroll taxes and related costs	145,643	53,902	199,545	4,557	28,924	33,481	233,026
General insurance	9,845	8,985	18,830	338	1,920	2,258	21,088
Outside service	28,859	5,921	34,780	417	2,157	2,574	37,354
Rent	3,984	9,611	13,595	42	79	121	13,716
Leased equipment	5,093	2,280	7,373	172	892	1,064	8,437
Office, telephone & utilities	46,784	25,564	72,348	1,333	6,997	8,330	80,678
Training and seminar expenses	1,049	481	1,530	7	431	438	1,968
Travel	18,227	3,328	21,555	68	454	522	22,077
Volunteer training & recognition	651	422	1,073	22	113	135	1,208
Board & Committee	6,536	1,130	7,666	163	589	752	8,418
Loan disbursement	400	-	400	-	-	-	400
Public relations	24,135	20,773	44,908	857	4,690	5,547	50,455
Professional fees	11,836	4,925	16,761	372	1,926	2,298	19,059
Program materials	205,214	54,616	259,830	-	-	-	259,830
Participation fees	45,375	17,349	62,724	-	-	-	62,724
Fund raising expenses	-	-	-	-	14,431	14,431	14,431
Depreciation & amortization	37,329	44,213	81,542	1,270	8,031	9,301	90,843
Miscellaneous expenses	4,324	1,939	6,263	147	760	907	7,170
Allowance for uncollectible pledges	36,436	-	36,436	1,209	5,703	6,912	43,348
Contributions in-kind	43,041	38,736	81,777	1,096	5,172	6,268	88,045
Total Expenses	\$ 1,220,347	\$ 484,583	\$ 1,704,930	\$ 31,876	\$ 210,505	\$ 242,381	\$ 1,947,311
Percent of Total Expenses	63%	25%	88%	2%	10%	12%	100%

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	PROGRAM SERVICES			SUPPORTING SERVICES			Grand Total
	Traditional Programs	Finance Park	Total	Management	Fundraising	Total	
Salaries	\$ 436,795	\$ 182,694	\$ 619,489	\$ 19,280	\$ 124,167	\$ 143,447	\$ 762,936
Employee benefits, payroll taxes and related costs	120,056	45,588	165,644	9,574	28,415	37,989	203,633
General insurance	7,796	10,083	17,879	257	2,537	2,794	20,673
Outside service	19,421	8,565	27,986	250	3,036	3,286	31,272
Rent	2,635	9,697	12,332	72	113	185	12,517
Leased equipment	5,001	3,667	8,668	127	1,542	1,669	10,337
Office, telephone & utilities	51,310	26,302	77,612	1,028	13,273	14,301	91,913
Training and seminar expenses	1,712	1,165	2,877	44	523	567	3,444
Travel	18,729	4,930	23,659	162	2,316	2,478	26,137
Volunteer training & recognition	716	452	1,168	17	203	220	1,388
Board & Committee	1,646	1,119	2,765	42	502	544	3,309
Loan disbursement	800	-	800	-	-	-	800
Public relations	19,464	9,764	29,228	363	4,354	4,717	33,945
Professional fees	9,920	6,172	16,092	230	2,769	2,999	19,091
Program materials	157,595	55,077	212,672	-	-	-	212,672
Participation fees	40,888	14,160	55,048	-	-	-	55,048
Fund raising expenses	-	-	-	-	6,517	6,517	6,517
Depreciation & amortization	22,986	57,303	80,289	636	9,793	10,429	90,718
Sales tax	311	-	311	-	-	-	311
Miscellaneous expenses	3,977	2,709	6,686	98	1,214	1,312	7,998
Allowance for uncollectible pledges	14,085	8,828	22,913	533	6,028	6,561	29,474
Contributions in-kind	65,299	37,008	102,307	1,520	17,180	18,700	121,007
Total Expenses	\$ 1,001,142	\$ 485,283	\$ 1,486,425	\$ 34,233	\$ 224,482	\$ 258,715	\$ 1,745,140
Percent of Total Expenses	57%	28%	85%	2%	13%	15%	100%

See notes to financial statements.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 7,924	\$ 40,515
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Change in Allowance for Uncollectible Pledges	30,000	-
Depreciation and Amortization	90,843	90,718
Unrealized (Gain) Loss on Marketable Securities	(7,751)	(15,210)
(Increase) Decrease in Pledges Receivable	136,327	(69,803)
(Increase) Decrease in Prepaid Expenses	4,418	(367)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(35,830)	46,351
Net Cash Provided by Operating Activities	<u>225,931</u>	<u>92,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Marketable Securities	(6,144)	(5,336)
Expenditures for Property and Equipment	-	(19,522)
Net Cash Used by Investing Activities	<u>(6,144)</u>	<u>(24,858)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	219,787	67,346
CASH AND CASH EQUIVALENTS, at beginning of year	<u>700,937</u>	<u>633,591</u>
CASH AND CASH EQUIVALENTS, at end of year	<u><u>\$ 920,724</u></u>	<u><u>\$ 700,937</u></u>

See notes to financial statements.

**JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF ORGANIZATION

Junior Achievement of Southeastern Michigan, Inc. was organized in September 1949 as a private, nonprofit corporation. The Organization was formed to provide young people with practical economic education programs and experiences in the competitive private enterprise system through a partnership with the business and education communities.

The Organization is dedicated to educating students in grades K-12 about entrepreneurship, work readiness, and financial literacy through experiential, hands-on programs. The programs help prepare young people for the real world by showing them how to generate income and effectively manage it, how to create jobs which make their communities more robust, and how to apply entrepreneurial thinking to the workplace. Students put these lessons into action, and learn the value of contributing to their communities. The Organization's unique approach allows volunteers from the community to deliver our curriculum while sharing their experiences with students. Embodying the heart of the Organization, the classroom volunteers transform the key concepts of the lessons into a message that inspires and empowers students to believe in themselves, showing them they can make a difference in the world.

The Organization also offers two additional opportunities for young people. The Quicken Loans *JA Finance Park*® program is a reality based hands-on simulation for middle grade students that enables them to build foundations for making intelligent lifelong personal finance decisions. Students create personal budgets and are introduced to automotive transportation, banking, clothing, communications, education, entertainment, food, furniture, healthcare, home improvement, housing, insurance, investing, mortgage, non-profit and utility industries and careers. Most of all, the hands-on nature of the program helps students develop a realistic understanding of the economic issues they will face upon graduation. The *JA Job Shadow* program is an academically motivating activity designed to give students the unique opportunity of an up-close look at the world of work and provide the answer to the commonly asked question, "Why do I have to learn this?" This program introduces students to careers through one-day, on-site workplace orientations. The program invites students to see first-hand how the skills learned in school relate to the workplace while providing examples of a variety of career opportunities.

The Organization operates under a Board of Directors and a President/Chief Executive Officer (CEO). The Organization's major sources of revenue are from the contributions from various foundations, corporations, and individuals, and also revenues generated from various special fundraising events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Organization:

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Income is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents - Cash and cash equivalents consist of a checking account and money market funds. Cash and cash equivalents for purposes of the statement of cash flows include temporarily and permanently restricted cash and cash equivalents.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - Investments include mutual funds and have readily determinable fair values and are stated at fair value as of June 30, 2019 and 2018. Fair values of all these short-term investments are determined based on quoted market prices and other relevant information generated by market transactions. Realized and unrealized gains or losses on investments are recorded in the statement of activities in the period that such gains or losses occur. Interest income is recorded when earned on an accrual basis. There were no changes in valuation techniques and related inputs during the period.

Pledges Receivable - Unconditional pledges are recognized as revenues in the period the pledge is made. Revenue on conditional pledges is recognized only when the conditions on which they depend are substantially met. These amounts, less an appropriate allowance, are recorded at their estimated fair value. The Organization accounts for bad debts on the reserve method computed on prior years' experience and management's estimate of the collectability of each specific pledge. Pledges to be collected over a period greater than one year have not been discounted, as management considers the discounts to be immaterial.

Fixed Assets - Property and equipment acquired by the Organization are stated at cost, with items capitalized based on having a useful life of greater than one year and a historical cost of \$2,000 or more. Donated property and equipment are recorded at the fair value on the date of donation. Depreciation is provided using the straight-line method over the useful lives of the respective assets, which is 40 years for buildings and building improvements and range from three to seven years for equipment.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. When a restriction expires, 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.

Donated Materials and Services - Donated materials, software, and equipment are reflected as public support revenue in the financial statements at their estimated fair value at date of receipt. The value of donated volunteer service to students has not been recorded in the financial statements to be consistent with other organizations in the Junior Achievement USA network.

Functional Allocated Costs - Certain costs of the Organization have been allocated to program services, management, and fundraising activities. These costs are allocated on a basis reflecting either actual or estimated actual activity.

Net Assets - Net assets, revenues, gains and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions as of June 30, 2019 were \$2,869,130.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

**JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor-imposed restrictions as of June 30, 2019 consists of the following:

	2019	2018
Programs for 2018 - 2019	\$ -	\$ 411,650
Programs for 2019 - 2020	354,918	35,000
Programs for 2020 - 2021	25,000	-
Programs for 2021 - 2022	25,000	-
Programs for 2022 - 2023	25,000	-
Endowment Investments	110,500	110,500
Scholarships	161,132	147,238
	\$ 701,550	\$ 704,388

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 20, 2019, the date the financial statements were available to be issued. No subsequent events requiring disclosure were noted.

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

NOTE 3 - TAX STATUS

Junior Achievement of Southeastern Michigan, Inc. is a nonprofit organization and has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was included in a group ruling issued to Junior Achievement USA which is located in Colorado Springs, Colorado. The Organization is not classified as a private foundation.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain taxes positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, State and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of June 30, 2019 and 2018 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position.

	2019	2018
Cash and Cash Equivalents	\$ 920,724	\$ 700,937
Investments	271,632	257,737
Receivables		
Pledges due within one year	349,420	344,747
Long-term pledges	125,000	296,000
Financial assets, at year end	1,666,776	1,599,421
Donor imposed restrictions		
Less: subject to the passage of time	(125,000)	(296,000)
Endowment fund		
Less: Perpetual funds	(110,500)	(110,500)
Less: Purpose restricted funds	(161,132)	(147,238)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,270,144	\$ 1,045,683

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable at June 30 consisted of the following:

	2019	2018
Pledges receivable in less than one year (net of allowance for uncollectible pledges in the amount of \$31,000 for 2019 and \$1,000 for 2018)	\$ 349,420	\$ 344,747
Pledges receivable in one to five years	125,000	296,000
	\$ 474,420	\$ 640,747

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENT ASSETS

In 1978, a Scholarship Fund was created as a result of contributions from a donor to create a permanent endowment for the Organization. The purpose of the Scholarship Fund is to award scholarships to worthy Junior Achievement participants to assist them in attending a college, professional, or vocational school of their choice. The principal contribution amounts totaling \$110,500 is included in net assets with donor restrictions and only the earnings on the accounts are to be used to distribute scholarships. Funds are currently held in a mutual fund investment account with J.P. Morgan Securities LLC.

NOTE 7 - FINANCIAL INSTRUMENTS

All financial instruments are held for purposes other than trading. For cash and cash equivalents and pledges receivable, it is determined that fair values approximate carrying values due to the short maturity of these instruments.

NOTE 8 - FAIR VALUE MEASUREMENT

A hierarchy has been established that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the hierarchy under GAAP are described below.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The following is a market value summary by the level of inputs used, as of June 30, 2019, in evaluating the Organization's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Valued on recurring basis			
Mutual fund	\$ 271,632	\$ 271,632	\$ -

JUNIOR ACHIEVEMENT OF SOUTHEASTERN MICHIGAN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - FAIR VALUE MEASUREMENT (continued)

The following is a market value summary by the level of inputs used, as of June 30, 2018, in evaluating the Organization's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Valued on recurring basis				
Mutual fund	\$ 257,737	\$ 257,737	\$ -	\$ -

NOTE 9 - FIXED ASSETS

Depreciation expense was \$90,843 for 2019 and \$90,718 for 2018. Fixed assets consisted of the following at June 30:

	2019	2018
Land	\$ 236,000	\$ 236,000
Building and improvements	2,936,092	2,936,092
Furniture and fixtures	324,174	324,174
Computer equipment	39,983	39,983
Total fixed assets	3,536,249	3,536,249
Less: accumulated depreciation	(1,540,574)	(1,449,731)
	<u>\$ 1,995,675</u>	<u>\$ 2,086,518</u>

NOTE 10 - RELIANCE ON FUNDING SOURCES

The Organization receives a substantial amount of its support from grants and contributions from corporations, businesses, and individuals. A significant reduction in the level of this support, if it were to occur, may have an adverse effect on the Organization's programs and activities.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - 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 the Organization and covered all full-time employees of the JA USA 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 the Organization'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 the Organization 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 employers (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

NOTE 12 - NEW ACCOUNTING STANDARD

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit-Entities*. ASU No. 2016-14 contains changes in reporting requirements that significantly affects how nonprofits communicate with stakeholders. Junior Achievement of Southeastern Michigan, Inc. adopted ASU No. 2016-14 for the year ended June 30, 2019. The adoption of this guidance did not have a significant impact on the Organization's financial statements.