JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND
THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

St. Paul, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Junior Achievement of the Upper Midwest, Inc.
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Junior Achievement of the Upper Midwest, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization 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.

Other Matters

Report on Consolidating and Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as of and for the years ended June, 30 2019 and 2018, on pages 29 to 32 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. The other supplementary information presented on page 33 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and other supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 26, 2019

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2019

ASSETS	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 135,795	$ 1,129,420	$ 1,265,215
Investments	200,758	57,474	258,232
Pledges receivable - net (Note 4)	1,482,275	731,350	2,213,625
Inventory	83,492	-	83,492
Prepaid assets	77,643	-	77,643
Total Current Assets	1,979,963	1,918,244	3,898,207
LONG-TERM ASSETS			
Property and equipment - net			
Land and land improvements	1,076,900	-	1,076,900
Buildings	14,834,488	-	14,834,488
Furniture and equipment	1,199,659	-	1,199,659
	17,111,047	-	17,111,047
Less accumulated depreciation	428,771	-	428,771
Net property and equipment	16,682,276	-	16,682,276
Cash and cash equivalents for long-term purposes	70,000	-	70,000
Cash in escrow (Note 7)	359,045	-	359,045
Pledges receivable for long-term purposes, net (Note 4)	1,579,178	710,000	2,289,178
Investments (Note 3)	405,700	868,600	1,274,300
Notes receivable - NMTC (Note 7)	11,303,400	-	11,303,400
Total Long-Term Assets	30,399,599	1,578,600	31,978,199
TOTAL ASSETS	$ 32,379,562	$ 3,496,844	$ 35,876,406
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 194,588	$ -	194,588
Construction payables	298,660	-	298,660
Other payables	360,332	-	360,332
Current maturity of long-term liabilities	10,558	-	10,558
Total Current Liabilities	864,138	-	864,138
LONG-TERM LIABILITIES			
Capital leases (Note 6)	33,586	-	33,586
Notes payables (Note 7)	500,000	-	500,000
Pledge notes payable (Note 7), net	2,205,816	-	2,205,816
Notes payable NMTC A (Note 7)	4,336,600	-	4,336,600
Notes payable NMTC B (Note 7), net	10,726,506	-	10,726,506
Total Long-Term Liabilities	17,802,508	-	17,802,508
Total Liabilities	18,666,646	-	18,666,646
NET ASSETS			
Net assets without donor restrictions	13,712,916	-	13,712,916
Net assets with donor restrictions	-	3,496,844	3,496,844
Total Net Assets	13,712,916	3,496,844	17,209,760
TOTAL LIABILITIES AND NET ASSETS	$ 32,379,562	$ 3,496,844	$ 35,876,406

See accompanying notes to consolidated financial statements.

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018

ASSETS	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 1,390,362	$ 574,627	$ 1,964,989
Investments	40,805	-	40,805
Pledges receivable - net (Note 4)	853,239	2,333,080	3,186,319
Inventory	85,392	-	85,392
Prepaid assets	45,527	-	45,527
Total Current Assets	2,415,325	2,907,707	5,323,032
LONG-TERM ASSETS			
Property and equipment - net			
Land and land improvements	297,113	-	297,113
Buildings	2,734,566	-	2,734,566
Building in progress	9,644,011	-	9,644,011
Furniture and equipment	780,293	-	780,293
	13,455,983	-	13,455,983
Less accumulated depreciation	2,023,428	-	2,023,428
Net property and equipment	11,432,555	-	11,432,555
Cash and cash equivalents for long-term purposes	91,800	185,156	276,956
Cash in escrow (Note 7)	7,646,316	-	7,646,316
Pledges receivable for long-term purposes, net (Note 4)	810,350	2,616,603	3,426,953
Investments (Note 3)	75,039	778,966	854,005
Notes receivable - NMTC (Note 7)	11,303,400	-	11,303,400
Total Long-Term Assets	31,359,460	3,580,725	34,940,185
TOTAL ASSETS	$ 33,774,785	$ 6,488,432	$ 40,263,217
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 54,540	$ -	$ 54,540
Construction payables	2,255,522	-	2,255,522
Other payables	436,721	-	436,721
Current maturity of long-term liabilities	57,491	-	57,491
Total Current Liabilities	2,804,274	-	2,804,274
LONG-TERM LIABILITIES			
Capital leases (Note 6)	3,967	-	3,967
Notes payables (Note 7)	1,950,000	-	1,950,000
Pledge notes payable (Note 7), net	3,544,411	-	3,544,411
Notes payable NMTC A (Note 7)	4,336,600	-	4,336,600
Notes payable NMTC B (Note 7), net	10,677,282	-	10,677,282
Total Long-Term Liabilities	20,512,260	-	20,512,260
Total Liabilities	23,316,534	-	23,316,534
NET ASSETS			
Net assets without donor restrictions	10,458,251	-	10,458,251
Net assets with donor restrictions	-	6,488,432	6,488,432
Total Net Assets	10,458,251	6,488,432	16,946,683
TOTAL LIABILITIES AND NET ASSETS	$ 33,774,785	$ 6,488,432	40,263,217

See accompanying notes to consolidated financial statements.

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions			
Corporate	$ 1,573,817	$ 974,100	$ 2,547,917
Individual	754,844	3,950	758,794
Foundations	416,540	53,500	470,040
Special events, net of direct benefit to donors	766,978	195,528	962,506
Program fees	289,344	-	289,344
Unrealized gain on investments	3,302	12,855	16,157
Interest and dividends	281,929	14,362	296,291
Other income, including in-kind gifts	368,669	-	368,669
Net assets released from restriction	4,245,883	(4,245,883)	-
Total Revenues, Gains and Other Support	8,701,306	(2,991,588)	5,709,718
EXPENSES			
Program expenses	4,725,794	-	4,725,794
Fundraising expenses			
Volunteer expenses	246,765	-	246,765
Contribution expenses	633,637	-	633,637
Management and general	461,376	-	461,376
Total Expenses	6,067,572	-	6,067,572
Change in Net Assets from Operations	2,633,734	(2,991,588)	(357,854)
Gain on sale of property, net	620,931	-	620,931
Change in Net Assets	3,254,665	(2,991,588)	263,077
Net Assets, Beginning of the Year	10,458,251	6,488,432	16,946,683
Net Assets, End of the Year	$ 13,712,916	$ 3,496,844	$ 17,209,760

See accompanying notes to consolidated financial statements.

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions			
Corporate	$ 1,233,542	$ 2,818,441	$ 4,051,983
Individual	371,015	2,089,784	2,460,799
Foundations	852,243	2,396,500	3,248,743
Special events, net of direct benefit to donors	924,198	-	924,198
Program fees	252,448	-	252,448
Unrealized gain on investments	21,180	39,737	60,917
Interest and dividends	4,461	2,496	6,957
Other income, including in-kind gifts	169,871	-	169,871
Net assets released from restriction	7,622,006	(7,622,006)	-
Total Revenues, Gains and Other Support	11,450,964	(275,048)	11,175,916
EXPENSES			
Program expenses	3,542,172	-	3,542,172
Fundraising expenses			-
Volunteer expenses	202,076	-	202,076
Contribution expenses	706,052	-	706,052
Management and general	408,901	-	408,901
Total Expenses	4,859,201	-	4,859,201
Change in Net Assets	6,591,763	(275,048)	6,316,715
Net Assets, Beginning of the Year	3,866,488	6,763,480	10,629,968
Net Assets, End of the Year	$ 10,458,251	$ 6,488,432	$ 16,946,683

See accompanying notes to consolidated financial statements.

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

		Supporting Services			
		Fundraising			
	Program Expenses	Volunteer Recruitment	Contribution Solicitation	Management and General	Total
Personnel					
Salaries and wages	$ 1,877,156	$ 147,832	$ 336,417	$ 260,934	$ 2,622,339
Payroll taxes, benefits and development	493,406	38,857	88,426	68,584	689,273
Total Personnel	2,370,562	186,689	424,843	329,518	3,311,612
Materials, principally purchased from the National Organization	655,458	-	-	-	655,458
Other program costs	167,146	-	-	-	167,146
Scholarships	29,245	-	-	-	29,245
National Organization participation fees	97,967	-	6,445	24,492	128,904
Professional services	151,215	11,909	28,146	21,021	212,291
Office supplies, equipment and maintenance	164,114	12,924	29,412	22,812	229,262
Building maintenance	252,033	8,103	23,428	13,425	296,989
Travel	40,244	3,169	7,212	5,593	56,218
Interest	359,756	11,822	34,540	19,609	425,727
Miscellaneous	45,307	3,447	60,023	10,861	119,638
Cost of direct benefits to donors	-	-	197,841	-	197,841
Total Functional Expenses Before Depreciation	4,333,047	238,063	811,890	447,331	5,830,331
Depreciation	392,747	8,702	19,588	14,045	435,082
Total Functional Expenses	4,725,794	246,765	831,478	461,376	6,265,413
Cost of direct benefit to donors netted against revenue	-	-	(197,841)	-	(197,841)
Net Functional Expenses	$ 4,725,794	$ 246,765	$ 633,637	$ 461,376	$ 6,067,572

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

		Supporting Services			
		Fundraising			
	Program Expenses	Volunteer Recruitment	Contribution Solicitation	Management and General	Total
Personnel					
Salaries and wages	$ 1,671,338	$ 136,643	$ 413,863	$ 262,665	$ 2,484,509
Payroll taxes, benefits and development	419,205	34,273	103,805	65,880	623,163
Total Personnel	2,090,543	170,916	517,668	328,545	3,107,672
Materials, principally purchased from the National Organization	602,464	-	-	-	602,464
Other program costs	126,081	-	-	-	126,081
Scholarships	34,750	-	-	-	34,750
National Organization participation fees	89,986	-	5,920	22,497	118,403
Professional services	144,471	11,811	45,333	22,706	224,321
Office supplies, equipment and maintenance	83,061	6,791	20,568	13,053	123,473
Building maintenance	161,163	3,571	8,038	5,763	178,535
Travel	48,211	3,942	11,938	7,576	71,667
Miscellaneous	24,616	2,013	89,763	3,868	120,260
Cost of direct benefits to donors	-	-	199,670	-	199,670
Total Functional Expenses Before Depreciation	3,405,346	199,044	898,898	404,008	4,907,296
Depreciation	136,826	3,032	6,824	4,893	151,575
Total Functional Expenses	3,542,172	202,076	905,722	408,901	5,058,871
Cost of direct benefit to donors netted against revenue	-	-	(199,670)	-	(199,670)
Net Functional Expenses	$ 3,542,172	$ 202,076	$ 706,052	$ 408,901	$ 4,859,201

See accompanying notes to consolidated financial statements.

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 263,077	$ 6,316,715
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	543,720	151,575
Unrealized and realized gains on investments, net	(16,157)	(60,917)
Uncollectible pledges	-	28,929
(Gain) / Loss on asset disposal	(620,931)	1,289
Changes in assets and liabilities		
Pledges receivable	167,170	(754,000)
Inventory	1,900	(12,576)
Prepaid assets	(32,116)	96,863
Accounts payable	140,048	(104,657)
Other payables	(76,389)	34,193
Gifts restricted for long-term investment	(406,321)	(4,795,253)
Net Cash (used in) from Operating Activities	(35,999)	902,161
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,058,053)	(4,636,387)
Proceeds from the sale of property and equipment	1,930,791	-
Cash issued on long-term notes receivable	-	(11,303,400)
Payments made to escrow account	(602,005)	-
Purchase of investments	(621,565)	(6,049)
Proceeds from the sale of investments	-	300,000
Net Cash (used in) Investing Activities	(350,832)	(15,645,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gifts received for long-term investment	2,349,620	2,784,831
Advances on long-term debt, net of costs	-	13,055,657
Payments of deferred financing costs	(3,423)	(143,680)
Payments on long-term debt and capital leases	(2,866,096)	(1,867,607)
Net Cash (used in) from Financing Activities	(519,899)	13,829,201
Net decrease in cash and cash equivalents	(906,730)	(914,474)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,241,945	3,156,419
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,335,215	$ 2,241,945

See accompanying notes to consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying consolidated financial statements include the accounts of Junior Achievement of the Upper Midwest, Inc. (Junior Achievement or “JAUM”), and the Junior Achievement Foundation of the Upper Midwest (the Foundation). All inter-organization accounts and transactions have been eliminated in the accompanying financial statements. Junior Achievement of the Upper Midwest, Inc. and the Junior Achievement Foundation of the Upper Midwest, are collectively referred to as the Organization.

Junior Achievement operates in the states of Minnesota, North Dakota and three counties of western Wisconsin. Junior Achievement's revenues are derived primarily from corporate and individual contributions, class fees and fundraising events held locally. The Foundation was incorporated in April 1997 as a not-for-profit organization to be operated exclusively for the benefit of and to carry out the purposes of Junior Achievement. The Foundation's primary sources of financial support are individual contributors. Additionally, the Organization is an affiliate of Junior Achievement, USA Inc. (the National Organization) and Junior Achievement Worldwide, Inc. (the Global Organization).

Programs

Junior Achievement offers financial literacy, work and career readiness, and entrepreneurship education to K-12 students in its footprint. Junior Achievement empowers students to make a connection between what they learn in school and how it can be applied in the real world – enhancing the relevance of their classroom learning and increasing their understanding of the value of staying in school.

All programs and materials are available free of charge to any school/educator, which the exception of Capstone programs. Economic education programs offered annually include:

Traditional classroom – JAUM reached more than 169,900 students during the 2018-2019 school year with approximately 1.2 million contact hours. We achieve this reach in part through our age-appropriate classroom curriculum that begins in elementary school. Students learn how they can impact the world around them as individuals, workers, and consumers. Programming continues through middle and high school, where we focus on key content areas of financial literacy, work and career readiness, and entrepreneurship.

> *Elementary school programs* – Junior Achievement’s elementary school programs are the foundation of our curricula. The kindergarten through fifth grade themes, as well as after-school and capstone experiences, work to change students’ lives by helping them learn the basic concepts of business and understand the important role of education in preparing for a future career. Each volunteer-led program consists of five lessons.
>
> *Middle school programs* – The middle grades programs build on concepts the students learned in elementary school and help teens make difficult decisions about how to best prepare for their educational and professional future. The programs supplement standard social studies curricula and develop communication skills that are essential to success in the business world. Each volunteer-led program consists of six lessons.
>
> *High school programs* – As high school students begin to position themselves for their future, there are many unanswered questions about what lies ahead. Junior Achievement’s high school programs help students make informed, intelligent decisions about their future, and foster skills through important work and career readiness as well as entrepreneurial concepts that will be valuable in the business world. Each volunteer-led program consists of one to twelve lessons.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capstone - Capstone programs take the Junior Achievement experience to the next level. These programs are centered on a learning laboratory experience that serves as a hands-on experiment for students to apply what they have learned in the classroom onsite in the JA learning labs. Capstone programs include: JA BizTown, JA Finance Park and JA Company Program. JA Finance Park is also available in an on-line version that allows the curriculum and simulation to occur on-site at the school location.

JA BizTown – Elementary/Middle school students are not old enough to drive, work, vote, or be the boss. But that doesn't stop them from operating banks, managing restaurants, writing checks, and voting for mayor at JA BizTown. The program combines in-class learning with a day-long visit to this fully-interactive simulated free market lab. The program helps students connect the dots between what they learn in school and the real world. Through daily lessons, hands-on activities, and active participation in this simulated community designed to support differentiated learning styles, students develop a strong understanding of the relationship between what they learn in school and their successful participation in a global economy.

JA Finance Park – Taking students into the world of business, JA Finance Park introduces personal planning and career exploration. It is designed to be taught to middle grade and high school students by classroom teachers. At the culmination of this program, students visit JA Finance Park in a virtual simulation or an on-site day to put into practice what they have learned about economic options and the principles of budgeting. Assisted by their teachers and a staff of trained volunteers, students have the opportunity to develop and commit to a personal budget.

JA Company Program - The JA Company Program is the pinnacle business and leadership experience for 9th-12th grade students. This program emphasizes activities to teach high school students how to start a company and develop an entrepreneurial mindset. Students are encouraged to use innovative thinking to create, market, and operate their own business as part of a school-based organization, club, or in an after-school setting. Over 13 – 20 weeks, students capitalize by selling stock, crowd funding or angel investing. They conduct market research and select a product or a service to market and sell. After operating the company for a period of time, they pay off their shareholders and liquidate their company. By organizing and operating an actual business, students develop the skills and knowledge that will set them apart when competing for scholarships, college acceptance and eventually a spot in the global marketplace. Through this in-depth leadership and entrepreneurship program, students gain real world business experience by working in teams to conceptualize, capitalize and manage their own small business. Hosted and advised by entrepreneurs and corporate volunteers, students gain insight around larger concepts, such as market research, business leadership, financial management while developing valuable 21st Century Skills.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization presents information regarding its financial position and activities according to two classes of net assets: net assets with donor restriction or net assets without donor restriction, based on the existence or absence of donor-imposed restrictions.

Net Asset Classifications

Contributions received are recorded as an increase in net assets without donor restriction or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction - Net assets without donor restriction include all assets, liabilities, and related revenues and expenses arising from the operations of the Organization, which are not subject to any donor restrictions. These net assets include both board-designated and undesignated amounts.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of uncollected long-term pledges receivable and unexpended amounts that may be used only after a specified date or only for a specified purpose or both. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these assets will be reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Certain net assets with donor restriction may consist of gifts and pledges whose principal balance is required by the donor to remain intact in perpetuity. The Organization’s Board of Directors has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. At June 30, 2019 and 2018, the Organization has a board-designated endowment fund (Note 10).

Accounting Estimates

Management uses estimates and assumptions in preparing these 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 support, revenues and expenses. The allocation of functional expenses and the useful lives of property and equipment incorporate significant estimates and assumptions. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization's cash balances are held primarily at three financial institutions and at times exceed FDIC insurance limits.

The Organization considers all cash on deposit, money market funds, and any highly liquid instruments or certificates of deposit purchased with an original maturity of three months or less to be cash and equivalents. However, cash and equivalents invested as part of the Organization's investment strategies and/or which is classified within restricted net asset classifications and not available for use in operations, is included in investments in the accompanying consolidated statement of financial position.

Cash in escrow consists of amounts held for the renovation of the James R and Patricia Hemak Experiential Learning Center (see Note 7).

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in cash equivalents, money market and marketable securities are recorded at current fair values primarily based on quoted market prices. Donated investments are initially recorded at their fair value on the date of donation and thereafter at the current fair value. Realized and unrealized gains and losses are recorded in the consolidated statement of activities as they occur.

Investment income earned is recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided over estimated useful lives by use of the straight-line method. The estimated useful life for buildings is 30 years and for furniture and equipment is 5 years. Maintenance and repairs are expensed as incurred. Major improvements and betterments are capitalized. The present values of capital lease obligations are classified as long-term debt and the related assets are included in equipment. Amortization of equipment under capital leases is included in depreciation expense. The Organization capitalizes property and equipment additions in excess of $1,000.

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including, but not limited to, discounted cash flow models, quoted market values and third-party independent appraisals. No impairments of long-lived assets were recorded during the years ended June 30, 2019 or 2018.

Notes Receivable - NMTC

Notes receivable related to the New Markets Tax Credit (NMTC) program financing structure, is due from an unrelated financial institution and has payment schedules timed to coincide with payment due under the NMTC loans payable (see Note 7).

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

Debt issuance costs of $668,900 and $733,500 at June 30, 2019 and 2018, respectively, relate to the Hemak Experiential Learning Center renovation project funding by the NMTC program financing. These costs are being amortized over the life of the debt on a straight-line basis. These costs are presented net against the notes payable to which they relate (see Note 7).

Income Taxes

The Internal Revenue Service has determined that Junior Achievement and the Foundation, through the Junior Achievement USA group exemption, are nonprofit entities exempt from federal and state income taxes under the provisions of the Internal Revenue Code, Section 501(c)(3) and applicable state statutes.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of June 30, 2019 or 2018. The Organization’s tax returns are subject to review and examination by federal and state authorities.

Change in Net Assets

The change in net assets on the statement of activities reflects the difference between revenues and expenses within the fiscal year. The change in net assets can result in an increase or decrease in consolidated net assets. The revenues reflect the contributions and program fees received by the Organization, special events revenue received, investment income, and unrealized and realized gains or losses on investments. The expenses reflect the direct and indirect expenses of operating programs, fundraising, and management and general expenses of the Organization. Management's approach to operating the Organization is to be prudent with the resources and assets of the Organization by budgeting for a surplus, i.e., an increase in consolidated net assets. A surplus in the change in net assets provides for consistent cash flow, a reduced need for obtaining financing which reduces the Organization's per student costs for programs and services offered by Junior Achievement.

Contributions and Pledges

The Organization reports gifts of cash and other assets as net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. The Organization classifies restricted gifts for which the restrictions expire in the same year as net assets without donor restrictions.

Unconditional pledges to give are recognized as revenues in the period received as assets or decreases of liabilities, depending on the form of the benefit received. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. The Organization had no conditional pledges at June 30, 2019 and 2018.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash inflows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts, if considered significant to the consolidated financial statements, is included in contribution revenue. An allowance for uncollectible contributions receivable is based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are written off when deemed uncollectible.

The Organization reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Materials and Services

Donated materials and other gifts in kind are shown as revenues, gains and other support in the accompanying statements at their estimated fair values at date of receipt. The Organization recognizes contributed services at their estimated fair value if the services meet the requirements for recognition under accounting principles generally accepted in the United States of America, which are generally that the services provided require specialized skills and would have been purchased if not provided by contribution. The Organization's programs are delivered to students primarily by volunteers. Thus, the Organization is the beneficiary of significant amounts of time donated by a substantial number of volunteers. However, no amounts are recognized for these donated services since they do not meet the criteria for recognition. The Organization had in-kind donations for the fiscal years ending June 30, 2019 and 2018 of approximately $328,500 and $161,000, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. The functional allocation of expenses was based upon Management's best estimates considering direct costs, square footage, labor, and other factors. Accordingly, the following certain costs have been allocated among the programs and supporting services benefitted using the following methods:

- Salaries and benefits – labor allocation
- National Organization participation fees – usage of services provided
- Professional services – direct allocation and labor
- Office Supplies, equipment and maintenance – labor allocation
- Building maintenance – square footage based on primary usage
- Travel – labor allocation
- Interest – square footage based on primary usage
- Miscellaneous – direct costs and labor allocation

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has evaluated subsequent events through November 26, 2019, the date which the financial statements were available to be issued.

New Accounting Pronouncement Adopted in Current Year

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted the provisions of this new standard during the year ended June 30, 2019. The primary changes include presenting two classes of net assets versus the three categories previously required and recognition of underwater endowment funds as a reduction to the net assets with donor restrictions class. The standard also provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

New Accounting Pronouncements Not Yet Implemented

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020). The Organization is assessing the impact this new standard will have on its financial statements.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the combining statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020). ASU 2016-18 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after June 15, 2018 (fiscal year 2020). The Organization is assessing the impact this standard will have on its financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure such as operating expenses are approximated as follows:

Cash and cash equivalents	$	1,265,200
Pledges receivable (due within one year)		2,213,600
Investments (without donor restrictions)		200,700
Total financial assets available to meet cash needs for general expenses within one year	$	3,679,500

The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due. Cash in excess of daily requirements is typically invested in short-term, liquid securities.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following instruments at June 30:

		2019		2018
Managed Investment Portfolio				
Cash equivalents	$	58,000	$	40,800
Fixed income		812,200		200,000
Equity securities		575,700		576,500
Commodities and other investments		54,600		56,700
Real asset funds		32,000		20,800
Total Investments		1,532,500		894,800
Less amounts classified as short-term investment		258,200		40,800
Long-term investments	$	1,274,300	$	854,000

Accounting standards define fair value as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under these standards, a three-level hierarchy is used for fair value measurements based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 – Inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include the reporting entity's own data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. As of June 30, 2019 and 2018, all of the investments are classified as Level 1 according to the fair value hierarchy.

The Organization has investments in money market funds which approximate fair value. The fair value of the remaining investments, including mutual funds, equity securities, brokerage funds, and real estate investment trusts, are based on quoted market prices.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. There were no changes in the assumptions or methodologies used to determine the Organization's estimates of fair value during the years ended June 30, 2019 and 2018.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

	2019	2018
Net pledges receivable for operations, unrestricted	$ 375,700	$ 248,800
Net pledges receivable for operations, purpose or time restricted	1,441,400	1,741,900
Net pledges receivable for capital acquisition	2,694,200	4,637,500
Net pledges receivable for foundation purposes	6,500	100
Less allowance for doubtful pledges	(15,000)	(15,000)
	$ 4,502,800	$ 6,613,300

Pledges totaling $2,289,200 and $3,427,000 as of June 30, 2019 and 2018, respectively, represent those which are due within five years and are classified as long-term in the financial statements. The remaining $2,213,600 and $3,186,300 in pledges as of June 30, 2019 and 2018, respectively, represent operating pledges that are due within one year.

NOTE 5 – EMPLOYEE RETIREMENT PLANS

403(b) Plan - All employees of the Organization are eligible to participate and contribute a portion of their salary to a 403(b) retirement plan of their choice. Currently, all participating employees are contributing to a plan sponsored by the Organization and administered by T. Rowe Price. The Organization has elected not to provide for employer contributions and therefore contributions are limited to employees' elected contributions.

Defined Benefit Pension Plan (Terminated effective June 30, 2019) - The Organization is a participant in the contributory multi-employer defined benefit pension plan of the National Organization (EIN 13-1635270: Plan Number: 333). Participation in the Plan is mandatory for all employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects: (a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. As a result, over or underfunding assets or liabilities are not recognized in the statement of financial position. (b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. (c) If the Organization chooses to stop participating in its multi-employer plan, the Organization may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The current actuarial value of accumulated benefits and net assets available for plan benefits are determined for the national plan in total. Under the Employee Retirement Income Security Act of 1974, the Organization may be liable for its share of the defined benefit portion of the National Plan's unfunded liabilities if the Organization were to withdraw from the National Plan or it was terminated. Effective June 30, 2019, the Board of Directors of the National Organization 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 requires that participating employers remain liable for any funding obligations under the plan until all liabilities and obligations of the plan have been satisfied and thereby the Organization is required to continue to make contributions to the plan. Information is not available from the administrators of the Plan to permit the Organization to determine its share of accumulated defined benefit plan benefits and net assets available for benefits. As such, there is no recognition of the Organization's share of the funded or unfunded status of the Plan in the consolidated financial statements.

Through June 30, 2019 employer contributions were determined actuarially to cover the cost of plan benefits which are not provided by employee contributions. Employer contributions deposited with the National Organization under this plan were approximately $361,300 for fiscal 2019 and $300,200 for fiscal 2018 based on 16.75% of participants' eligible compensation. These contributions are less than 5% of total contributions to the Plan each year. Effective July 1, 2019 the required contribution will be equal to 13.25% of the participants' eligible compensation.

The Plan is not required by the Pension Protection Act of 2006 to report a certified zone; however, the Plan is between 92% and 108% funded.

401(k) Plan - Effective August 1, 2019, all employees of the Organization who have reached age 18 and twelve months of service are eligible to participate in the JA USA 401(k) Plan. The multiple employer plan allows for Safe Harbor Contributions for all participants based on 3% of participants' eligible compensation regardless of whether the employee elects to contribute their own contributions to the plan.

NOTE 6 – CAPITALIZED LEASE OBLIGATIONS

At June 30, 2019 and 2018, the Organization had several capital leases for various items of equipment over terms of three to four years. The equipment leases are payable in monthly installments totaling $1,000, with implicit interest rates at 5%. The Organization is obligated to pay costs of insurance, taxes, repairs and maintenance pursuant to the terms of the leases.

NOTE 6 – CAPITALIZED LEASE OBLIGATIONS (Continued)

Property and equipment include the following amounts for equipment held under capital leases at June 30:

	2019	2018
Equipment	$ 55,800	$ 82,800
Accumulated amortization	(8,700)	(72,300)
Net equipment under capital lease	$ 47,100	$ 10,500

Amortization expense is included in depreciation expense in the consolidated statement of activities.

At June 30, 2019, the Organization had the following minimum commitments by fiscal year for payment of rentals under these leases:

	Capital Leases
Year Ending June 30	
2020	$ 12,500
2021	11,900
2022	10,200
2023	10,200
2024	4,200
Total lease commitments	49,000
Less amounts representing interest	4,800
Present value of minimum lease payments	44,200
Less amount classified as current liabilities	10,600
Long-term capital lease liabilities	$ 33,600

NOTE 7 – NOTES PAYABLE AND NEW MARKET TAX CREDIT PROGRAM FINANCING

Lines of Credit

During 2019, the Organization had two lines of credit with a financial institution which combined for a $2,000,000 borrowing limit which was paid off in March 2019 with the corresponding sale of the Maplewood property. There were no outstanding line of credit borrowings at June 30, 2019 and 2018.

With the opening of the Hemak Experiential Learning Center (Note 13), the Organization sold its property in Maplewood in March 2019 and recognized a corresponding gain on sale of $620,900.

NOTE 7 – NOTES PAYABLE AND NEW MARKET TAX CREDIT PROGRAM FINANCING (Continued)

Program Related Investment (PRI)

The Organization has a five-year $500,000 PRI. For accounting and reporting purposes, the PRI is accounted for as long-term debt. The interest rate on the PRI is 2.5%. Annual interest-only payments of $12,500 are due each December. The entire principal balance is due December 2022.

New Market Tax Credit Program Financing

On June 28, 2018, the Organization closed on $16,000,000 New Market Tax Credit program financing. The financing provides federal tax incentives to the investing banks in exchange for which the Organization anticipates forgiveness of a portion of the outstanding principal balance remaining at the end of the initial seven-year period. There are two types of NMTC notes payables. Notes Payable A for $11,303,400 and Notes Payable B for $4,336,600, both with interest only payments due quarterly at an annual rate of 1.7839% through June 2025, then quarterly installments of $834,400, including interest and principal, through June 2048. Any unpaid principal balance and all accrued interest will be due and payable at the maturity date, subject to an early termination provision in June 2025. The Notes are secured by real and personal property owned by the Organization with a current book value of $16,778,400 and restricted cash escrow of $359,000 and $7,646,000 at June 30, 2019 and 2018, respectively.

In connection with the NMTC program financing, the Foundation, acting as a leveraged lender, entered into a note receivable arrangement with an unrelated organization totaling $11,303,400. The Note Receivable bears an interest rate of 2% over a 30-year term. The repayment terms and the collateral on the Note Receivable approximate the terms and the collateral of the NMTC notes payable. Interest income earned on the Note Receivable will be included in investment income. The Foundation anticipates purchasing the security interest in the unrelated organization in seven years. This unrelated organization holds the Notes Payable A and B. After the purchase, the Foundation would own both the Note Receivable and the Notes Payable A and they would cancel. In addition, at this time, it is anticipated that Notes Payable B will be forgiven, and the Organization would realize approximately $3,200,000 benefit, net of program costs of approximately $1,800,000.

In order to establish the Foundation as the leveraged lender, certain campaign gifts, both pledged and collected, were contributed from Junior Achievement to the Foundation in 2018. These gifts totaled $11,410,800. The contribution is eliminated in the Organization's consolidated financial statements.

Pledge Note Payable

In conjunction with the NMTC program financing, the Organization has a pledge note payable with a financial institution for $2,297,900 and $3,651,800 at June 30, 2019 and 2018, respectively, that matures on June 28, 2025. The interest rate provided under the note payable is 4.75%. Borrowings are secured by pledge receivables owned by the Foundation. Monthly interest-only payments are required with principal payments made quarterly as the secured pledge receivables are collected. Any remaining amounts outstanding are due in full on June 28, 2025.

NOTE 7 – NOTES PAYABLE AND NEW MARKET TAX CREDIT PROGRAM FINANCING (Continued)

Maturities of long-term notes payable are as follows:

	2019 Repayable	2019 Forgivable	2019 Total	2018 Total
Year Ending June 30,				
2020	$ -	$ -	$ -	
2021	-	-	-	
2022	500,000	-	500,000	
2023	-	-	-	
2024	-	-	-	
Thereafter	2,297,900	15,640,000	17,937,900	
Total	$ 2,797,900	$ 15,640,000	$ 18,437,900	$ 21,291,800
Less debt issue costs, net of accumulated amortization of $108,600 and $0, respectively			(668,900)	(733,500)
Less amounts reflected as current			-	(50,000)
			$ 17,769,000	$ 20,508,300

NOTE 8 – NET ASSETS

Net assets with donor restrictions are limited by donor imposed stipulations requiring principal to be invested in perpetuity and investment net income may be expended or are limited by donor restrictions to support program activities or the occurrence of other specified events or passage of time.

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2019 Net assets with donor restrictions	2018 Net assets with donor restrictions
Restricted for subsequent fiscal year operations	$ 2,707,100	$ 1,534,900
Restricted for renovation of building and future building operation	-	4,157,100
JA Foundation Endowment (1)	578,700	578,700
JA Foundation Endowment, unappropriated earnings	211,000	217,700
	$ 3,496,800	$ 6,488,400

(1) The JA Foundation Endowment Fund represents gifts donated with the stipulation that the principal be maintained intact in perpetuity and that the investment income is used to carry out the purposes of Junior Achievement of the Upper Midwest. These donor-restricted endowment funds are further described in Note 10.

NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows for the years ended June 30:

	2019	2018
Satisfaction of program and time restrictions	$ 4,212,700	$ 7,583,800
Appropriation of earnings of endowment	33,200	38,200
	$ 4,245,900	$ 7,622,000

NOTE 10 – ENDOWMENT FUNDS

The Organization's endowments consist of donor-restricted and board-restricted funds established for the support of the Organization as discussed in Note 8. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Endowment assets consist of cash, investments and pledge receivables.

Interpretation of Relevant Law

Minnesota has enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's Board of Directors has interpreted the Minnesota UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

NOTE 10 – ENDOWMENT FUNDS (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. As of June 30, 2019 and 2018, the Organization had $0 and $20,800, respectively of board-designated funds.

As approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that generate a composite fund total return over any five-year moving time period that exceeds the return of a hybrid index comprised of the 90-day Treasury bill rate, S&P 500 index, Russell 2000 Small Cap Index, MSCI EAFE Index, MSCI Emerging Markets Index, and the Barclays Multiverse Index, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent over any five-year moving time period. Actual returns in any given time period may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

During 2019, the Organization modified its policy for distribution of its endowment assets to the lessor of 4 percent of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned or 4 percent of its investments value as of December 31. Prior to this change the Organization’s policy of appropriating for distribution each year was 5 percent of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In modifying this policy, the Organization considered the long-term expected return on its endowment. Depending on the composite fund total return of the hybrid index as previously described, the Organization may not meet a positive growth rate each year based on market conditions. However, management has determined this is a conservative and appropriate benchmark for the Organization's intentions related to the growth and preservation of the funds. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 10 – ENDOWMENT FUNDS (Continued)

Endowment and Restricted Net Asset Composition by Type of Fund

	June 30, 2019		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
JA Foundation Endowment Fund	$ -	$ 789,700	$ 789,700

	June 30, 2018		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
JA Foundation Endowment Fund	$ 20,800	$ 796,400	$ 817,200

Changes in Endowment Net Assets

	Year Ended June 30, 2019		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Net assets, beginning of year	$ 20,800	$ 796,400	$ 817,200
Contributions	14,500	-	14,500
Investment return			
Unrealized gain on investments	1,900	12,900	14,800
Interest and dividends	2,100	14,300	16,400
Total investment return	4,000	27,200	31,200
Personnel and administration expenses	(35,000)	-	(35,000)
Appropriation of endowment assets for:			
Expenditure (Donor advised)	-	(5,000)	(5,000)
Expenditure (spending policy)	(4,300)	(28,900)	(33,200)
Total Appropriations	(4,300)	(33,900)	(38,200)
Net assets, end of year	$ -	$ 789,700	$ 789,700

NOTE 10 – ENDOWMENT FUNDS (Continued)

	Year Ended June 30, 2018		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Net assets, beginning of year	$ 381,300	$ 774,600	$ 1,155,900
Contributions	3,600	-	3,600
Investment return			
Unrealized gain on investments	21,200	39,700	60,900
Interest and dividends	1,300	2,500	3,800
Total investment return	22,500	42,200	64,700
Personnel and administration expenses	(48,400)	-	(48,400)
Appropriation of endowment assets for:			
Expenditure (Campaign)	(300,000)	-	(300,000)
Expenditure (Donor advised)	-	(5,000)	(5,000)
Expenditure (spending policy)	(38,200)	(15,400)	(53,600)
Total Appropriations	(338,200)	(20,400)	(358,600)
Net assets, end of year	$ 20,800	$ 796,400	$ 817,200

Funds with Deficiencies

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2019 and 2018.

NOTE 11 – VOLUNTEER RECRUITMENT

Junior Achievement of the Upper Midwest, Inc. has included the costs associated with recruiting volunteers for delivering classroom programs as a fundraising expense. These expenses, totaling $258,900 and $202,100 in fiscal years 2019 and 2018, respectively, are directly related to recruiting the volunteers necessary to provide approximately over 1.2 million contact hours related to Junior Achievement programs during both fiscal years 2019 and 2018.

NOTE 12 – OTHER RELATED PARTY TRANSACTIONS

At June 30, 2019 and 2018, related party (board members) pledges receivable totaled $411,300 and $694,400, respectively.

The Organization is a participant in the contributory multi-employer defined benefit pension plan of the National Organization (see Note 5).

The Organization purchases its materials from and pays a contractual participation fee to the National and Global Organizations. Participation fees are paid at 3% based on cash collected from net public support.

NOTE 13 – LET'S BUILD COMPREHENSIVE CAMPAIGN AND EXPERIMENTAL LEARNING CENTER

Let's Build Comprehensive Campaign

The Organization embarked on a $20 million Let's Build comprehensive campaign. The Let's Build campaign is raising funds towards the purchase, renovation and operation of its Experimental Learning Center along with growing the JA Foundation, providing longer term funding to meet future demands for our programs. The Hemak Experiential Learning Center renovation was completed in November 2018 and opened its doors to students in January 2019. The Hemak Experiential Learning Center allows the Organization to double the number of students and teachers reached utilizing our experimental model and learning labs.

Certain funds during the Let's Build campaign raised contained restrictions on their use. With the completion of the renovation these restrictions have been released. Total raised through June 30, 2019 for all purposes, including future planned gifts was $19,002,000.

NOTE 14 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2019	2018
Cash paid during the year for interest	$ 332,700	$ 1,100
Net cash paid during the year for interest in property and equipment	77,700	57,300
Noncash investment and financing activities		
Proceeds from NMTC notes placed in escrow	-	7,646,300
Purchase of building with LOC and bridge financing	-	1,850,000
Purchase of building with escrow funds	7,848,600	900,000
Purchase of building with amounts in construction payable	298,700	2,255,500
Debt issuance costs paid with long-term debt proceeds or escrow funds	40,700	589,800
Purchase of property and equipment through issuance of capital lease	44,800	-
Renovation costs paid with in-kind gifts	115,100	-

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of June 30, 2019

ASSETS	Junior Achievement of the Upper Midwest	Junior Achievement Foundation of the Upper Midwest	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 1,164,436	$ 100,779	$ -	$ 1,265,215
Investments	200,758	57,474	-	258,232
Intercompany receivable	245,714	-	(245,714)	-
Pledges receivable - net	1,162,445	1,051,180	-	2,213,625
Inventory	83,492	-	-	83,492
Prepaid assets	77,643	-	-	77,643
Total Current Assets	2,934,488	1,209,433	(245,714)	3,898,207
LONG-TERM ASSETS				
Property and equipment - net				
Land and land improvements	1,076,900	-	-	1,076,900
Buildings	14,834,488	-	-	14,834,488
Furniture and equipment	1,199,659	-	-	1,199,659
	17,111,047	-	-	17,111,047
Less accumulated depreciation	428,771	-	-	428,771
Net property and equipment	16,682,276	-	-	16,682,276
Cash and cash equivalents for long-term purposes	70,000	-	-	70,000
Cash in escrows	359,045	-	-	359,045
Pledges receivable for long-term purposes, net	1,044,500	1,244,678	-	2,289,178
Investments	405,700	868,600	-	1,274,300
Notes receivable	-	11,303,400	-	11,303,400
Total Long-Term Assets	18,561,521	13,416,678	-	31,978,199
TOTAL ASSETS	$ 21,496,009	$ 14,626,111	$ (245,714)	$ 35,876,406
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 194,588	$ -	$ -	$ 194,588
Intercompany payable	-	245,714	(245,714)	-
Construction payable	298,660	-	-	298,660
Other payables	360,332	-	-	360,332
Current maturity of long-term liabilities	10,558	-	-	10,558
Total Current Liabilities	864,138	245,714	(245,714)	864,138
LONG-TERM LIABILITIES				
Capital leases	33,586	-	-	33,586
Notes payables	500,000	-	-	500,000
Pledge notes payable, net	-	2,205,816	-	2,205,816
Notes payable NMTC A	4,336,600	-	-	4,336,600
Notes payable NMTC B, net	10,726,506	-	-	10,726,506
Total Long-Term Liabilities	15,596,692	2,205,816	-	17,802,508
Total Liabilities	16,460,830	2,451,530	(245,714)	18,666,646
NET ASSETS				
Net assets without donor restrictions	2,328,101	11,384,815	-	13,712,916
Net assets with donor restrictions	2,707,078	789,766	-	3,496,844
Total Net Assets	5,035,179	12,174,581	-	17,209,760
TOTAL LIABILITIES AND NET ASSETS	$ 21,496,009	$ 14,626,111	$ (245,714)	$ 35,876,406

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of June 30, 2018

ASSETS	Junior Achievement of the Upper Midwest	Junior Achievement Foundation of the Upper Midwest	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 1,964,989	$ -	$ -	$ 1,964,989
Investments	-	40,805	-	40,805
Intercompany receivable	99,548	-	(99,548)	-
Pledges receivable - net	2,036,170	1,150,149	-	3,186,319
Inventory	85,392	-	-	85,392
Prepaid assets	45,527	-	-	45,527
Total Current Assets	4,231,626	1,190,954	(99,548)	5,323,032
LONG-TERM ASSETS				
Property and equipment - net				
Land and land improvements	297,113	-	-	297,113
Buildings	2,734,566	-	-	2,734,566
Building in progress	9,644,011	-	-	9,644,011
Furniture and equipment	780,293	-	-	780,293
	13,455,983	-	-	13,455,983
Less accumulated depreciation	2,023,428	-	-	2,023,428
Net property and equipment	11,432,555	-	-	11,432,555
Cash and cash equivalents for long-term purposes	255,156	21,800	-	276,956
Cash in escrows	7,646,316	-	-	7,646,316
Pledges receivable for long-term purposes, net	925,166	2,501,787	-	3,426,953
Investments	-	854,005	-	854,005
Notes receivable	-	11,303,400	-	11,303,400
Total Long-Term Assets	20,259,193	14,680,992	-	34,940,185
TOTAL ASSETS	$ 24,490,819	$ 15,871,946	$ (99,548)	$ 40,263,217
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 54,540	$ -	$ -	$ 54,540
Intercompany payable	-	99,548	(99,548)	-
Construction payable	2,255,522			2,255,522
Other payables	436,721	-	-	436,721
Current maturity of long-term liabilities	57,491	-	-	57,491
Total Current Liabilities	2,804,274	99,548	(99,548)	2,804,274
LONG-TERM LIABILITIES				
Capital leases	3,967	-	-	3,967
Notes payables	1,950,000	-	-	1,950,000
Pledge notes payable, net	-	3,544,411	-	3,544,411
Notes payable NMTC A	4,336,600	-	-	4,336,600
Notes payable NMTC B, net	10,677,282	-	-	10,677,282
Total Long-Term Liabilities	16,967,849	3,544,411	-	20,512,260
Total Liabilities	19,772,123	3,643,959	(99,548)	23,316,534
NET ASSETS				
Net assets without donor restrictions	2,034,513	8,423,738	-	10,458,251
Net assets with donor restrictions	2,684,183	3,804,249	-	6,488,432
Total Net Assets	4,718,696	12,227,987	-	16,946,683
TOTAL LIABILITIES AND NET ASSETS	$ 24,490,819	$ 15,871,946	$ (99,548)	$ 40,263,217

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Junior Achievement of the Upper Midwest	Junior Achievement Foundation of the Upper Midwest	Eliminations	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions				
Corporate	$ 2,545,767	$ 2,150	$ -	$ 2,547,917
Individual	745,895	12,899	-	758,794
Foundations	583,074	-	(113,034)	470,040
Special events, net of direct benefit to donors	962,506	-	-	962,506
Program fees	289,344	-	-	289,344
Unrealized gain on investments	1,391	14,766	-	16,157
Interest and dividends	16,520	375,850	(96,079)	296,291
Other income, including in-kind gifts	368,669	-	-	368,669
Appropriation of endowment earnings	38,159	(38,159)	-	-
Total Revenues, Gains and Other Support	5,551,325	367,506	(209,113)	5,709,718
EXPENSES				
Program expenses	4,725,794	209,113	(209,113)	4,725,794
Fundraising expenses				
Volunteer expenses	246,765	-	-	246,765
Contribution expenses	561,192	72,445	-	633,637
Management and general	322,022	139,354	-	461,376
Total Expenses	5,855,773	420,912	(209,113)	6,067,572
Change in Net Assets from Operations	(304,448)	(53,406)	-	(357,854)
Gain on sale of property, net	620,931	-	-	620,931
Change in Net Assets	316,483	(53,406)	-	263,077
Net Assets, Beginning of the Year	4,718,696	12,227,987	-	16,946,683
Net Assets, End of the Year	$ 5,035,179	$ 12,174,581	$ -	$ 17,209,760

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.
AND THE JUNIOR ACHIEVEMENT FOUNDATION OF THE UPPER MIDWEST

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Junior Achievement of the Upper Midwest	Junior Achievement Foundation of the Upper Midwest	Eliminations	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions				
Corporate	$ 4,049,978	$ 2,005	$ -	$ 4,051,983
Individual	2,459,194	1,605	-	2,460,799
Foundations	3,553,743	-	(305,000)	3,248,743
Special events, net of direct benefit to donors	924,198	-	-	924,198
Program fees	252,448	-	-	252,448
Unrealized gain on investments	-	60,917	-	60,917
Interest and dividends	3,128	3,829	-	6,957
Other income, including in-kind gifts	169,871	-	-	169,871
Appropriation of endowment earnings	53,641	(53,641)	-	-
Total Revenues, Gains and Other Support	11,466,201	14,715	(305,000)	11,175,916
EXPENSES				
Program expenses	3,542,172	305,000	(305,000)	3,542,172
Volunteer expenses	202,076	-	-	202,076
Contribution expenses	657,629	48,423	-	706,052
Management and general	408,901	-	-	408,901
Total Expenses	4,810,778	353,423	(305,000)	4,859,201
Change in Net Assets Before Transfers	6,655,423	(338,708)	-	6,316,715
Campaign gifts contributed to the Foundation	(11,410,789)	11,410,789	-	-
Change in Net Assets	(4,755,366)	11,072,081	-	6,316,715
Net Assets, Beginning of the Year	9,474,062	1,155,906	-	10,629,968
Net Assets, End of the Year	$ 4,718,696	$ 12,227,987	$ -	$ 16,946,683

JUNIOR ACHIEVEMENT OF THE UPPER MIDWEST, INC.

SCHEDULE OF ACTIVITIES - OPERATING AND CAMPAIGN

For the Years Ended June 30, 2019 and 2018

	Fiscal Year ending June 30, 2019			Fiscal Year ending June 30, 2018		
	Operating Activites	Campaign / NMTC Activities	Total June 30, 2019	Operating Activites	Campaign / NMTC Activities	Total June 30, 2018
REVENUES, GAINS AND OTHER SUPPORT						
Contributions						
Corporate	$ 2,430,217	$ 115,550	$ 2,545,767	$ 1,680,203	$ 2,369,775	$ 4,049,978
Individual	606,874	139,021	745,895	388,716	2,070,478	2,459,194
Foundations	433,074	150,000	583,074	1,703,743	1,850,000	3,553,743
Special events, net of direct benefit to donors	960,756	1,750	962,506	924,198	-	924,198
Program fees	289,344	-	289,344	252,448	-	252,448
Unrealized gain on investments	1,391	-	1,391	-	-	-
Interest and dividends	14,913	1,607	16,520	545	2,583	3,128
Other income, including in-kind gifts	368,669	-	368,669	169,871	-	169,871
Appropriation of endowment earnings	38,159	-	38,159	53,641	-	53,641
Total Revenues, Gains and Other Support	5,143,397	407,928	5,551,325	5,173,365	6,292,836	11,466,201
EXPENSES						
Program expenses	4,725,794	-	4,725,794	3,542,172	-	3,542,172
Fundraising expenses						
Volunteer expenses	246,765	-	246,765	202,076	-	202,076
Development / campaign expenses	497,927	63,265	561,192	401,795	255,834	657,629
Management and general (includes interest expense)	85,373	236,649	322,022	388,301	20,600	408,901
Total Expenses	5,555,859	299,914	5,855,773	4,534,344	276,434	4,810,778
Change in Net Assets from Operations	(412,462)	108,014	(304,448)	639,021	6,016,402	6,655,423
Gain on sale of fixed asset	620,931	-	620,931	-	-	-
Change in Net Assets before Transfer	208,469	108,014	316,483	639,021	6,016,402	6,655,423
Campaign gifts transferred to the Foundation	-	-	-	-	(11,410,789)	(11,410,789)
Change in Net Assets	208,469	108,014	316,483	639,021	(5,394,387)	(4,755,366)
Net Assets, Beginning of the Year	4,548,172	170,524	4,718,696	3,909,151	5,564,911	9,474,062
Net Assets, End of the Year	$ 4,756,641	$ 278,538	$ 5,035,179	$ 4,548,172	$ 170,524	$ 4,718,696