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

Maplewood, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2016 and 2015

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.
Maplewood, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Junior Achievement of the Upper Midwest, Inc. and the Junior Achievement Foundation of the Upper Midwest (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's consolidated financial statements, and our report dated November 2, 2015 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as of and for the year ended June 30, 2016 on pages 21 and 22 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. 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 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 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
October 14, 2016

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, 2016 with Comparative Totals for June 30, 2015

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	2015
CURRENT ASSETS					
Cash and cash equivalents	$ 1,005,117	$ 1,575	$ -	$ 1,006,692	$ 1,074,128
Investments	41,404	300,609	-	342,013	313,134
Pledges receivable - net	400,512	3,055,444	65,186	3,521,142	2,253,708
Inventory	59,575	-	-	59,575	46,599
Prepaid assets	162,727	-	-	162,727	46,003
Total Current Assets	1,669,335	3,357,628	65,186	5,092,149	3,733,572
LONG-TERM ASSETS					
Property and equipment					
Land and land improvements	297,113	-	-	297,113	297,113
Buildings	2,734,566	-	-	2,734,566	2,731,766
Building in progress	76,165	-	-	76,165	-
Furniture and equipment	387,297	-	-	387,297	718,912
	3,495,141	-	-	3,495,141	3,747,791
Less accumulated depreciation	1,742,045	-	-	1,742,045	1,961,499
Net property and equipment	1,753,096	-	-	1,753,096	1,786,292
Pledges receivable - long-term	145,311	900,170	-	1,045,481	1,480,000
Investments	380,434	94,050	513,536	988,020	1,352,736
Total Long-Term Assets	2,278,841	994,220	513,536	3,786,597	4,619,028
TOTAL ASSETS	$ 3,948,176	$ 4,351,848	$ 578,722	$ 8,878,746	$ 8,352,600
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 66,748	$ -	$ -	$ 66,748	$ 30,213
Other payables	236,320	-	-	236,320	272,656
Current maturity of long-term liabilities	16,746	-	-	16,746	16,342
Total Current Liabilities	319,814	-	-	319,814	319,211
LONG-TERM LIABILITIES					
Capital leases	29,560	-	-	29,560	35,805
Total Long-Term Liabilities	29,560	-	-	29,560	35,805
Total Liabilities	349,374	-	-	349,374	355,016
NET ASSETS					
Unrestricted net assets	3,598,802	-	-	3,598,802	3,049,978
Temporarily restricted net assets	-	4,351,848	-	4,351,848	4,368,884
Permanently restricted net assets	-	-	578,722	578,722	578,722
Total Net Assets	3,598,802	4,351,848	578,722	8,529,372	7,997,584
TOTAL LIABILITIES AND NET ASSETS	$ 3,948,176	$ 4,351,848	$ 578,722	$ 8,878,746	$ 8,352,600

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, 2016 with Comparative Totals for June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
REVENUES, GAINS AND OTHER SUPPORT					
Contributions					
Corporate	$ 1,234,255	$ 525,500	$ -	$ 1,759,755	$ 1,652,715
Individual	1,267,435	114,300	-	1,381,735	3,649,277
Foundations	247,012	6,250	-	253,262	525,328
Special events, net of direct benefit to donors	978,493	-	-	978,493	948,927
Program fees	282,407	-	-	282,407	379,966
Unrealized gain (loss) on investments	(23,754)	(42,406)	-	(66,160)	(13,036)
Realized gain (loss) on investments	(1,064)	-	-	(1,064)	9,639
Interest and dividends	15,804	27,222	-	43,026	-
Other income, including in-kind gifts	141,672	-	-	141,672	31,444
Net assets released from restriction	647,902	(647,902)	-	-	-
Total Revenues, Gains and Other Support	4,790,162	(17,036)	-	4,773,126	7,184,260
EXPENSES					
Program expenses	3,029,859	-	-	3,029,859	2,937,335
Fundraising expenses					
Volunteer expenses	170,843	-	-	170,843	167,917
Contribution expenses	680,470	-	-	680,470	556,137
Management and general	360,166	-	-	360,166	317,519
Total Expenses	4,241,338	-	-	4,241,338	3,978,908
Change in Net Assets	548,824	(17,036)	-	531,788	3,205,352
Net Assets, Beginning of the Year	3,049,978	4,368,884	578,722	7,997,584	4,792,232
Net Assets, End of the Year	$ 3,598,802	$ 4,351,848	$ 578,722	$ 8,529,372	$ 7,997,584

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, 2016 with Comparative Totals for June 30, 2015

		Supporting Services				
		Fundraising			Totals	
	Program Expenses	Volunteer Recruitment	Contribution Solicitation	Management and General	2016	2015
Personnel						
Salaries and wages	$ 1,380,001	$ 111,892	$ 356,397	$ 223,784	$ 2,072,074	$ 1,955,230
Payroll taxes, benefits and development	364,659	29,567	94,176	59,134	547,536	494,425
Total Personnel	1,744,660	141,459	450,573	282,918	2,619,610	2,449,655
Materials, principally purchased from the National Organization	551,477	-	-	-	551,477	548,287
Other program costs	95,092	-	-	-	95,092	135,143
Scholarships	23,750	-	-	-	23,750	19,998
National Organization participation fees	83,787	-	5,512	20,947	110,246	107,680
Professional services	131,097	11,136	123,077	22,078	287,388	228,716
Office supplies, equipment and maintenance	72,135	6,128	17,093	12,148	107,504	77,585
Building maintenance	138,114	3,063	6,970	4,998	153,145	100,524
Travel	39,512	3,356	9,363	6,654	58,885	61,401
Miscellaneous	37,316	3,197	62,183	6,337	109,033	124,323
Cost of direct benefits to donors	-	-	188,508	-	188,508	190,134
Total Functional Expenses Before Depreciation	2,916,940	168,339	863,279	356,080	4,304,638	4,043,446
Depreciation	112,919	2,504	5,699	4,086	125,208	125,596
Total Functional Expenses	3,029,859	170,843	868,978	360,166	4,429,846	4,169,042
Cost of direct benefit to donors netted against revenue	-	-	(188,508)	-	(188,508)	(190,134)
Net Functional Expenses	$ 3,029,859	$ 170,843	$ 680,470	$ 360,166	$ 4,241,338	$ 3,978,908

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, 2016 with Comparative Totals for June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 531,788	$ 3,205,352
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	125,208	125,596
Unrealized and realized losses (gains) on investments, net	67,224	3,397
Uncollectible pledges	5,155	30,004
Loss on asset disposal	1,203	-
Changes in assets and liabilities		
Pledges receivable	(995,570)	(322,220)
Inventory	(12,976)	23,476
Prepaid assets	(116,724)	7,802
Accounts payable	36,535	6,305
Other payables	(36,336)	723
Gifts restricted for long-term investment	(112,500)	(3,140,186)
Net Cash from Operating Activities	(506,993)	(59,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(82,263)	(23,910)
Proceeds from the sale of investments	268,613	47,481
Purchase of investments	-	(620,000)
Net Cash from Investing Activities	186,350	(596,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gifts received for long-term investment	270,000	30,186
Payments on long-term debt and capital leases	(16,793)	(15,569)
Net Cash Used for Financing Activities	253,207	14,617
Net (decrease) increase in cash and cash equivalents	(67,436)	(641,563)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,074,128	1,715,691
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,006,692	$ 1,074,128
Supplemental Cash Flow Information		
Cash paid during the year for interest	$ 2,925	$ 3,151
Non-cash investing and financing activities:		
Property and equipment acquired through capital lease	10,952	-

See accompanying notes to consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Junior Achievement offers financial literacy, college and career readiness, and entrepreneurship education to K-12 students in Minnesota, North Dakota and western Wisconsin. JA 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.

The accompanying consolidated financial statements include the accounts of Junior Achievement of the Upper Midwest, Inc. (Junior Achievement), and the Junior Achievement Foundation of the Upper Midwest (the Foundation). 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. 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.

The Organization 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'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

The Organization's primary program activity is to provide essential economic education, in a variety of program formats, to all students K-12. All core programs and materials are available free of charge to any school/educator, with the exception of Capstone programs. Core economic education programs offered annually include:

Traditional classroom – JAUM reached more than 160,000 students during the 2015-2016 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, college and career readiness, and entrepreneurship.

> Elementary school programs – JA'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.

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

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 entrepreneurial concepts that will be valuable in the business world. Each volunteer-led program consists of five to twelve lessons.

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. Capstone programs include: JA BizTown, JA Finance Park, JA Titan 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 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 facility. 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 and JA Titan – 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. In JA Titan, students apply their knowledge of business as they compete online to create and market a successful company in this interactive business simulation. While simulating "business quarters," students make decisions on price, production, marketing, capital investment, and R & D. JA Titan enhances business, economics and math skills while demonstrating the impact that decisions have on the success or failure of a company. JA Titan can take place at school, at an area business, or in our capstone facility in Maplewood, Minnesota. Test your skills by playing a sample game at http://titanpublic.ja.org.

JA Company Program - The JA Company Program is the pinnacle business and leadership experience for 9th-12th grade students. This re-designed digital program emphasizes activities to teach high school students how to start a company. 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 of 15-20 to conceptualize, capitalize and manage their own small business. Hosted and advised by entrepreneurs and corporate volunteers, students will 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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions.

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

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 two 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.

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 unrestricted, temporarily restricted, or permanently restricted, 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

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, 2016 or 2015.

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, 2016 or 2015. 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.

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

Contributions and Pledges

The Organization reports gifts of cash and other assets as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization classifies temporarily restricted donations for which the restrictions expire in the same year as unrestricted contributions.

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 one conditional pledge at June 30, 2016 and at June 30, 2015 totaling $200,000. This pledge is conditional on receiving other matching gifts.

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 unrestricted support 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 restricted support. 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, 2016 and 2015 of approximately $125,400 and $8,800, 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 square footage, labor, and other factors. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Subsequent Events

The Organization has evaluated subsequent events through October 14, 2016, the date which the financial statements were available to be issued.

Reclassifications

Certain amounts appearing in the 2015 financial statements have been reclassified to conform with the 2016 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets.

New Accounting Pronouncements

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. Early application is permitted for fiscal years beginning after December 15, 2016. The Organization is assessing the impact this new standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following instruments at June 30:

	2016	2015
Wells Fargo Managed Investment Portfolio		
Cash equivalents	$ 41,400	$ 10,100
Fixed income	552,300	866,000
Equity securities	531,000	586,900
Commodities and other investments	111,200	104,100
Real asset funds	94,100	98,700
Total Investments	1,330,000	1,665,800
Less amounts classified as short-term investment	342,000	313,100
Long-term investments	$ 988,000	$ 1,352,700

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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:

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, 2016 and 2015, 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, 2016 and 2015.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

	2016	2015
Net pledges receivable for operations, unrestricted	$ 1,551,700	$ 570,600
Net pledges receivable for capital acquisition	2,952,500	3,110,000
Net pledges receivable for foundation purposes	65,200	55,000
Less allowance for doubtful pledges	(2,800)	(1,900)
	$ 4,566,600	$ 3,733,700

Pledges totaling $1,045,500 are due within three years and are classified as long-term in the financial statements. The remaining $3,521,100 in pledges are due within one year.

NOTE 4 – EMPLOYEE RETIREMENT PLANS

All full-time 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.

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 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. 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. There is no recognition of the funded status of the Plan in the financial statements.

Employer contributions are 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 $266,900 for fiscal 2016 and $232,000 for fiscal 2015 based on 16.75% of participants' eligible compensation. These contributions are less than 5% of total contributions to the Plan each year. The Plan is not required by the Pension Protection Act of 2006 to report a certified zone; however, the Plan is between 68% and 71% funded.

NOTE 5 – CAPITALIZED LEASE OBLIGATIONS

At June 30, 2016 and 2015, 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 $1,600, 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.

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

	2016	2015
Equipment	$ 82,800	$ 81,700
Accumulated amortization	(39,300)	(31,200)
Net equipment under capital lease	$ 43,500	$ 50,500

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

At June 30, 2016, the Organization had the following minimum commitments by fiscal year for payment of rentals under these leases:

	Capital Leases
Year Ending June 30	
2017	$ 18,700
2018	18,700
2019	7,800
2020	1,600
2021	1,600
Total lease commitments	48,400
Less amounts representing interest	(2,100)
Present value of minimum lease payments	46,300
Less amount classified as current liabilities	(16,700)
Long-term capital lease liabilities	$ 29,600

NOTE 6 – LINE OF CREDIT

The Organization has a revolving line of credit with Wells Fargo Bank for a $400,000 borrowing limit that expires on November 5, 2018. There were no outstanding borrowings at June 30, 2016 or 2015. The interest rate provided under the line of credit agreement is a floating rate equal to a Wells Fargo Bank indexed rate, with a minimum rate of 5.00%. Borrowings are secured by real property owned by Junior Achievement of the Upper Midwest, Inc.

NOTE 7 – NET ASSETS

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

Permanently and temporarily restricted net assets are restricted for the following purposes at June 30:

	2016		2015	
	Permanently Restricted	Temporarily Restricted	Permanently Restricted	Temporarily Restricted
Restricted for subsequent fiscal year operations	$ -	$ 941,300	$ -	$ 1,020,800
Restricted for purchase of land and buildings	-	3,347,500	-	3,235,000
JA Foundation Endowment [(1)]	578,700	63,000	578,700	113,100
	$ 578,700	$ 4,351,800	$ 578,700	$ 4,368,900

[(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 9.

NOTE 8 – 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:

	2016	2015
Temporarily Restricted		
Satisfaction of program and time restrictions	$ 616,000	$ 366,400
Appropriation of earnings of endowment	31,900	28,200
	$ 647,900	$ 394,600

NOTE 9 – 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 7. 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), with an effective date of August 1, 2008. 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

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, 2016 and 2015, the Organization had $427,900 and $408,200, 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 four-year moving time period that exceeds the return of a hybrid index comprised of the 90-day Treasury bill rate, Lehman Brothers Government/Corporate Bond Index, S&P 500 index, Russell 2000 Small Cap Index and the EAFE Foreign Stock 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 three-year moving time period. Actual returns in any given time period may vary from this amount.

NOTE 9 – ENDOWMENT FUNDS (Continued)

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

The Organization has a policy of appropriating for distribution each year 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 establishing 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.

Endowment and Restricted Net Asset Composition by Type of Fund

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
JA Foundation Endowment Fund	$ 427,900	$ 63,000	$ 578,700	$ 1,069,600

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
JA Foundation Endowment Fund	$ 408,200	$ 113,100	$ 578,700	$ 1,100,000

NOTE 9 – ENDOWMENT FUNDS (Continued)

Changes in Endowment Net Assets

	Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 408,200	$ 113,100	$ 578,700	$ 1,100,000
Contributions	95,300	-	-	95,300
Investment return				
Unrealized loss on investments	(23,700)	(34,400)	-	(58,100)
Realized loss on investments	(200)	-	-	(200)
Interest and dividends	10,600	15,300	-	25,900
Total investment return	(13,300)	(19,100)	-	(32,400)
Personnel and administration expenses	(40,900)	-	-	(40,900)
Appropriation of endowment assets for expenditure (spending policy)	(21,400)	(31,000)	-	(52,400)
Net assets, end of year	$ 427,900	$ 63,000	$ 578,700	$ 1,069,600

	Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 455,700	$ 145,300	$ 493,500	$ 1,094,500
Contributions	-	-	85,200	85,200
Investment return				
Unrealized loss on investments	(6,000)	(8,500)	-	(14,500)
Realized gain on investments	3,200	4,500	-	7,700
Total investment return	(2,800)	(4,000)	-	(6,800)
Campaign and administration expenses	(24,600)	-	-	(24,600)
Appropriation of endowment assets for expenditure (spending policy)	(20,100)	(28,200)	-	(48,300)
Net assets, end of year	$ 408,200	$ 113,100	$ 578,700	$ 1,100,000

NOTE 9 – ENDOWMENT FUNDS (Continued)

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, 2016 and 2015.

NOTE 10 – 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 $170,800 and $167,900 in fiscal years 2016 and 2015, respectively, are directly related to recruiting the volunteers necessary to provide approximately 1.2 million contact hours related to Junior Achievement programs during both fiscal years 2016 and 2015.

NOTE 11 – OTHER RELATED PARTY TRANSACTIONS

At June 30, 2016 and 2015, related party (board members) pledges receivable totaled $3,569,600 and $3,050,400, respectively.

The Organization is a participant in the contributory multi-employer defined benefit pension plan of the National Organization (see Note 4).

The Organization purchases its materials from and pays a contractual participation fee to the National and Global Organizations. Participation fees are paid at graduated rates from 2% to 10% based on a tiered amount of cash collected from net public support.

NOTE 12 – COMPREHENSIVE CAMPAIGN

The Organization is in the midst of a comprehensive campaign. This campaign will raise funds towards the purchase and development of property for a new centrally located larger learning facility, operating costs of the new facility and growing the endowment to support expanded future programming. Certain funds raised contain restrictions on their use. These amounts are recorded as temporarily restricted and totaled $3,347,500 and $3,235,000, respectively, as of June 30, 2016 and 2015. Total raised through June 30, 2016 for all purposes was $5,644,800. This amount includes notification of planned gifts totaling $1,450,000 that is not recorded in our financial statements until received.

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, 2016

ASSETS	Junior Achievement of the Upper Midwest	Junior Achievement Foundation of the Upper Midwest	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 1,005,117	$ 1,575	$ -	$ 1,006,692
Investments	2,213	339,800	-	342,013
Intercompany receivable	-	22,979	(22,979)	-
Pledges receivable - net	3,496,142	25,000	-	3,521,142
Inventory	59,575	-	-	59,575
Prepaid assets	162,727	-	-	162,727
Total Current Assets	4,725,774	389,354	(22,979)	5,092,149
LONG-TERM ASSETS				
Property and equipment				
Land and land improvements	297,113	-	-	297,113
Buildings	2,734,566	-	-	2,734,566
Building in progress	76,165	-	-	76,165
Furniture and equipment	387,297	-	-	387,297
	3,495,141	-	-	3,495,141
Less accumulated depreciation	1,742,045	-	-	1,742,045
Net property and equipment	1,753,096	-	-	1,753,096
Pledges receivable - net	1,045,481	-	-	1,045,481
Investments	-	988,020	-	988,020
Total Long-Term Assets	2,798,577	988,020	-	3,786,597
TOTAL ASSETS	$ 7,524,351	$ 1,377,374	$ (22,979)	$ 8,878,746
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 66,748	$ -	$ -	$ 66,748
Intercompany payable	22,979	-	(22,979)	-
Other payables	236,320	-	-	236,320
Current maturity of long-term liabilities	16,746	-	-	16,746
Total Current Liabilities	342,793	-	(22,979)	319,814
LONG-TERM LIABILITIES				
Capital leases	29,560	-	-	29,560
Total Long-Term Liabilities	29,560	-	-	29,560
Total Liabilities	372,353	-	(22,979)	349,374
NET ASSETS				
Unrestricted net assets	3,170,948	427,854	-	3,598,802
Temporarily restricted net assets	3,981,050	370,798	-	4,351,848
Permanently restricted net assets	-	578,722	-	578,722
Total Net Assets	7,151,998	1,377,374	-	8,529,372
TOTAL LIABILITIES AND NET ASSETS	$ 7,524,351	$ 1,377,374	$ (22,979)	$ 8,878,746

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, 2016

	Junior Achievement of the Upper Midwest	Junior Achievement Foundation of the Upper Midwest	Eliminations	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions				
Corporate	$ 2,059,755	$ -	$ (300,000)	$ 1,759,755
Individual	1,286,451	95,284	-	1,381,735
Foundations	253,262	-	-	253,262
Special events, net of direct benefit to donors	978,493	-	-	978,493
Program fees	282,407	-	-	282,407
Unrealized gain (loss) on investments	(7,220)	(58,940)	-	(66,160)
Realized gain (loss) on investments	(869)	(195)	-	(1,064)
Interest and dividends	220	42,806	-	43,026
Other income, including in-kind gifts	141,672	-	-	141,672
Appropriation of endowment earnings	52,394	(52,394)	-	-
Total Revenues, Gains and Other Support	5,046,565	26,561	(300,000)	4,773,126
EXPENSES				
Program expenses	3,029,859	300,000	(300,000)	3,029,859
Fundraising expenses				
Volunteer expenses	170,843	-	-	170,843
Contribution expenses	627,399	53,071	-	680,470
Management and general	360,166	-	-	360,166
Total Expenses	4,188,267	353,071	(300,000)	4,241,338
Change in Net Assets	858,298	(326,510)	-	531,788
Net Assets, Beginning of the Year	6,293,700	1,703,884	-	7,997,584
Net Assets, End of the Year	$ 7,151,998	$ 1,377,374	$ -	$ 8,529,372